The American Economic Review

VOLUME XX, NO. 1 MARCH, 1930

Publication Office: 450 Ahnaip Street, Menasha, Wis.

Executive Office: American Economic Association, Northwestern University, Evanston, Ill.

Editorial Office: 222 Charles River Road, Cambridge, Mass.

Entered at the post office at Menasha, Wisconsin, as second class matter. Acceptance for mailing at special rate of postage provided for in the Act of February 28, 1925, embodied in paragraph 4, section 412, P. L. and R., authorized September 18, 1928.

Price, in paper, $1.25

General Works, Theory and Its History

Economic History and Geography

Agriculture, Mining, Forestry, and Fisheries

Manufacturing Industries

Transportation and Communication

Trade, Commerce, and Commercial Crises

Accounting, Business Methods, Investments and the Exchanges

The

American Economic Review

VOL. XX MARCH, 1930 No. 1

HISTORICAL RECORDS

Presidential address delivered at Forty-second Annual Meeting of the American Economic Association, Washington, D.C., December 28, 1929.

Economic history belongs to both history and economics; it seeks to be helpful to both but to dominate neither. By its own relationship to these two disciplines it illustrates the growing coöperation of the social sciences, of which a specific recent example is the proposed international investigation of price history. But economic history suffers from the defect of all history, the imperfect character of the historical record and the various biases in its interpretation. The record tends to preserve evidence of institutional forms, while processes of change in the ideas which underlie institutions are much more evanescent. The increasing minuteness of modern social recording, especially its quantitative measurements, and the new zeal in collecting business documents, will help to complete the record for the future economic historian. The demand for a great amplification of statistical records is a part of the contemporary triangulation, now proceeding, upon which to base a new development of social controls.

If the shoemaker is well-advised to stick to his last, the learned professions, which in our day have inherited much of the medieval craftsman's ethics, may occasionally obey this precept. I may properly, therefore, on this occasion make some random observations upon historical records, the raw materials of my craft. Practically all the great variety of records used by historians in general are also necessary to the economic historian; and his technique in the use of these records is that common to all historical criticism. But this branch of history has chosen for its field that longitudinal section through the great mass of material which is concerned primarily with economic activities and relationships. Since the economic historian is vitally interested in the past development of economic institutions and processes and their bearing on present problems, he must also regard his work as a branch of the science of economics. Fundamentally important, however, as the economic factor appears to him, he does not regard it as the one determining factor in human affairs past or present. Man does not live by bread alone. And no active group of economic historians is today making any such claim for the predominance of this specialism as did the German "historical school," from Roscher and Hildebrand to Schmoller.

The leaders of the "historical school" inevitably had to err by excess of zeal in order to make their contribution in establishing the principle of relativity; no longer can anyone proclaim, as did the Manchesterists of the mid-nineteenth century, that free trade is a doctrine eternally valid and universal in its application. The economic historian of our time realizes that the problems, economic and social, which confront us are much too complex and difficult to be understood by any one-sided approach. The coöperation of every usable method is required; and the critical method of history, emphasizing sequential relationships, is one among several essential tools. Like the physical sciences in their modern interlocking, the social sciences are borrowing from one another both tools and workers.

The historical investigation of prices now being launched, with the aid of a substantial grant from the Rockefeller Foundation, involves such collaboration. This history of prices, including wages, from the earliest fairly continuous records to that point, differing of course in each country studied, where the various price series may be linked with those in current statistical use, is to be carried on by scholars from England, France, Germany, Austria, Spain, and the United States, under the chairmanship of Sir William Beveridge. Within the next five years, the establishment of long measures of price-changes in these countries may be expected. It is hoped to document these more fully and make them more reliable than was possible with those produced by such pioneers, working single-handed, as Thorold Rogers, d'Avenel, or Wiebe. Price records will be sought which are continuous for one locality or for homogeneous market areas. Basic price series, thus set up, may of course be combined to show larger regional or national averages; but the totals will not conceal the divergent weightings of different regional price levels. A uniform general plan will be followed, including a careful reduction of the numerous local variations in weights, measures, and coinage, so that some approximation may be made to international comparisons—a procedure of especial importance, for instance, in studying the geographical dispersion of price-changes as the great wave of the sixteenth-century price revolution spread from Spain over Western Europe. By separating and comparing the various groups of prices, new light may be cast on long-time changes in the behavior of prices and on the effect of such changes upon the attitudes and positions of great social groups of the population at successive periods. The investigation will require not only the association of scholars from the several nations selected, but also the close coöperation of a number of workers in different fields, especially of historians, archivists, economists and statisticians. When once this relatively dependable causeway has been thrown over the morasses of earlier economic

history, we shall have greatly lengthened, though on a narrow front, our statistical base-line, now so short.

But, happy as are the economic historians over this opportunity for the improvement of their one possible long statistical measure, they realize fully how imperfect their best efforts must leave it. For the causeway will be very narrow, and at places badly broken. Even with the cautious piecing together of much more material than has hitherto been available, serious gaps and deficiencies in the historical record must inevitably remain.

Although always aware of the serious deficiencies in all the records upon which he is dependent, the historian, by reason of the requirements of continuous narrative, usually fails to convey to the reader the full meaning of this imperfection. Absence or scarcity of records, often at vital points and over considerable spaces of time, is the most obvious and distressing of handicaps. But continuously baffling is the qualitative inadequacy of the material, its inherent and shifting biases, even when, as in the most recent centuries of history, the volume of records increases enormously. The rise of modern states and of centralized governments resulted in an immense increase of paper-work and the gradual organization of state archives, where there are housed and prepared for use great collections of political, administrative, and judicial documents. The invention of the printing press brought a flood of books and pamphlets; and, by its help in making men literate, brought forth new stacks of writings, private in character, to bless and to harass the historian. To curse with Carlyle this Dryasdust accumulation, or to wish that the multitude of men had remained voiceless, is inadmissible. Instead, the crushing task is divided and subdivided by shorter periods and narrower topics; but the increasing division of labor has not lessened the most crucial difficulties.

This very defectiveness of the raw material of his craft has largely determined and limited the method and aim of the historian. Historical technique, higher criticism, interpretation amounting to interpolation, what are they in the main but methods and practices of filling gaps and correcting biases? History has sometimes been severed from the other social sciences by limiting it to the peculiar function of describing the unique occurrence. Some go so far as to assert that this function forever debars it from any attempt at the comparisons, classifications and generalizations which characterize a science. May it not be truer to say that the consciousness of defective material and the consequent hypertrophy of critical talent has tended at times to check the human craving for synthesis? The wary historian, taught and teaching the dangers of historical analogies, has tried to limit his professional risks; but he is increasingly minimizing those risks. In our modern historical

studies a rough series of transitional forms may be traced between the two poles of research, between the narrative of the individual sequence, especially characteristic of political history, and the emerging science which essays, by the comparative method, the discovery of the laws or continuities of group action. There must be and must remain the detailed description of the single specimen, the individual sequence. The art of historical narrative will not die. But, as with the aid of all the kindred social sciences, the records become more adequate and their interpretation more penetrating, history, or rather some branches of the craft, may approximate an historical sociology. The interdependence of the sciences is already exhibited in the use which the social historians, as well as the political scientists, are beginning to make of statistics, or at least in the demand for training which will enable them to check quantitatively their descriptive studies.

L. P. Namier's recent book on the structure of English politics at the accession of George III is an example of this use of statistics. Despairing of gaining fresh insights from the accustomed sources, such as the gouty *bon mots* of Horace Walpole's letters, or the acrid outcries against the nabobs, or the mutual diatribes of parties against the corruption practised by opponents, Mr. Namier undertook the compilation of a card-index containing the fullest details, especially from local records, family and local correspondence, concerning every member of the House of Commons from 1760 to 1783. After years of this minute inquiry, he has published this notable initial study. His text is shot through with numerical tests of such problems as the extent of aristocratic influence upon the representative system, or how much voting power was exerted by the new wealthy class, or the weight of the Crown and Administration in elections, or the supposedly prevalent corruption of the electorate.

As each generation thus rewrites its history of the past—a proceeding necessary because of defective records and because of the shifts in selective interest and in the configuration of contemporary biases—some of the gaps in the record become partially filled. But no amount of research or tenable conjecture can eke out the most serious silences of our sources. This is particularly true in certain fields of economic history. Such institutional structures as the open field system, the craft gilds, or the factory, which have left behind them a record of customary regulations or external legislation, have, like the skeletal forms of zoölogical species, deposited their fossils in the historical strata. But the more dynamic elements, like the vital organs and the nervous system, have tended to disappear. We can with considerable accuracy reconstruct these economic institutions in what we may term their skeletal form; but how and why they came into being, what animating forces

actuated them in their prime and gradually ebbed in their decline, are questions not easy to answer from our materials.

Take, for a simple instance, the flow of trade as a formative influence on industrial institutions. Of foreign commerce, its agents and carriers and its extent, we have, for the pre-statistical period, some fragments of information; but for local or domestic trade the material is almost hopelessly inadequate. Very difficult and elusive is also the study of past changes in the standards of living. The record of economic history is therefore unevenly weighted, tempting us to stress successive stages of production and to neglect the dynamic factors of distribution and consumption.[1] Even our current statistical record is notably weak on domestic trade, and the analysis, statistical and other, of the assumptions underlying the demand curve is inadequate. We shall have in 1930 the first national enumeration of the agencies and amounts of market distribution; and this will be warmly welcomed by economists for the help it may give at this much needed point.

But why should a busy world produce statistics for the delight of economists? We are told that economists are a voracious species, greedy for figures, only to be satisfied when census-takers and social psychologists stand beside the remaining third of the working population. By implication, we should be satisfied with the existing notable increase in our equipment for economic and social measurement since the World War. Nearly all the departments of the federal government are busy turning out statistical tables in growing volume, but as yet too little coördinated.

Numerous state, regional and local agencies are doing likewise. Trade organizations, university research bureaus, independent institutes, private investigators fill the country with questionnaires and statistical publications. And still further plans for quantitative research, nation-wide and local, are constantly emerging. Is not all this more than enough, asks the business man? The economist answers with an emphatic negative. Our modern world stands but at the threshold of the "statistical period" for which the meager but gradually accumulating statistical

[1] Thorold Rogers had a naïve habit of treating his hypotheses as facts. Hewitt's study of medieval Cheshire records has recently shown up this foible. Rogers first expressed doubt regarding Cheshire's medieval salt production, a commodity of prime importance, and thereupon he converted the doubt into a flat denial. This bald assertion was apparently based on the absence of Cheshire salt from the record of price quotations. But Hewitt's researches (*cf.* H. J. Hewitt, *Medieval Cheshire*, 1929, pp. 108-112) make it evident that the Cheshire brine springs were continuously worked and that, though the data in regard to distribution are very scanty, the number of recorded salt-houses far exceeded the needs of local consumption. In other words, the strata of the thirteenth and fourteenth centuries show plenty of skeletal forms of production; but the evidence as to the considerable trade which created them was never recorded or has almost vanished.

records of the pre-war century formed merely the initial and preparatory stage. We are far from the saturation point of supply; and the demand is unappeased.

This quite modern craving for exact knowledge of economic and social institutions and processes is a definite symptom of the advent of a new historical era, which was ushered in toward the last quarter of the nineteenth century by a definite reaction against the régime of unfettered, individualistic, secretive competition. Urgent social need, felt a century earlier in Western Europe and in the regions within its radiating influence, had unleashed the individual, long straining for free activity; and this release in turn had stimulated the demand for ever more intense production. The world witnessed an unrivalled outburst of industrial energy, an unprecedented movement of migration, an age of unexampled magnitudes and speeds. The spurt of initiative was assisted by a new theory and a resulting policy, in law and economics—rationalistic, hedonistic, individualistic, and dogmatic—which, with the clear-cut certitude of a new faith, enforced the destructive but energizing work of liberalism. But, unfolding with an inner logic of growth, out of the older order emerged fresh forces and institutions. Protectionism, with tariffs facing outward and dikes of combination crossing inwardly, restrictionism in its various aspects, including its check on the free flow of immigration, and nationalism in intensified forms—with intercluded social coöperative organizations—were among the manifestations of the new spirit. But meantime, with the growing complexity of the social situation, new concepts of relativity, of evolutionary adaptation, and of social solidarity were steadily undermining the former certainties of an automatic, mechanical, predestined harmony. The altered pattern of men's thinking, even though, or perhaps because, it was accompanied by a sense of fluidity, has reinforced the dominant demand for stability and social controls.

The need for wisely adapted and therefore more effective controls underlies the craving for more statistical knowledge. If we are to have better social controls, we must have records, many more of them, and more men trained to interpret and to use them. The historians, especially the economic historians, have a peculiar reason for their intense interest in this momentous process of transition going on in our own day. A study of operating social forces in a period of change will yield not strict parallels, but insights and understandings of those earlier operations which have left so impermanent a record. One of the many interesting phenomena which mark such a period as ours, is the realignment of public opinion. Who could have foretold in 1890 the change in sentiment which made possible the consolidation provisions of the Transportation act of 1920? Yet we can find repeated instances in

the past of such almost unconscious refigurement of the public mind, as, for example, the change in opinion in England on the inclosure movement between the sixteenth and the eighteenth centuries. At times, the great changes are initiated and carried on almost unperceived by those who are themselves making them. Common use and wont is one of the greatest enemies of the historical record; for ordinarily those gradual, day-by-day changes in attitude of mind in which multitudes participate are not observed and recorded. New concepts are diffused and slip noiselessly into men's minds; they nestle down beside older alien concepts, often without noticeable jostling; new practices resulting therefrom silently emerge or old ones quietly drop away, until at some point, the preparation becoming far advanced, the new face of the world becomes manifest with apparent suddenness, and the historian, casting about even to set a date to this revolution, discovers another gap in the historical record.

There is strong reason, therefore, at this particular juncture not only to study attentively those hidden things which lie upon the surface of the present, but to collect and preserve the commonplace documents of the immediate past. Already the Business History Society is concerned with the collection, preservation, and utilization of business documents, not merely by its Boston headquarters, but by local historical societies generally and especially by university and business school libraries. Such documents as account books, letter files, reports and other records of individual concerns, corporations, and trade associations, above all the long-run series which for a time have been heaped in storerooms and then destroyed, should now be preserved, sorted and organized for study. Many of them may be had for the asking, some under pledge of confidence for a certain number of years. What would we not now give for a large accumulation of such material, say from Antwerp of the sixteenth century, or from Lancashire of the eighteenth, to add to such few documents as we possess! Yet we still permit similar records, precious at least to our successors, to be destroyed by hundreds of tons daily.

Towards meeting our own needs and answering our own questions we can do something; and while we cannot imagine what questions our successors will put to our time, nevertheless we must build for them as well as for ourselves. It is tempting at times to meditate upon our successors. Perhaps, two or three centuries hence, the highly trained economists in what may at that date correspond to the Domestic Commerce Division of the Bureau of Foreign and Domestic Commerce, at Washington, may be preparing, from the great flow of current information coming daily from all parts of the country, that perpetual inventory of consumable resources, that delicately adjusted economic

indicator which will promptly measure and thus help to regulate the fluctuations of business and government enterprise. They may, in their historical section, be reporting on such imperfect but hopeful beginnings as we are making in our statistical laboratories, our surveys of economic and social changes, and our Presidential conferences. But we cannot imagine what kind of ordered world these our successors will be living in, or how far in the rhythm of history the existing tendency to control and stability may be carried. Will they still be discovering new merits in the medieval ideals of the just price and of equality of social opportunity? Or will a reaction have set in against an over-development of the planned national economy and its neo-cameralistic economics?

However uncertain the future, of one thing we may now be fairly sure; as the tides of world history are now moving, each ebb and flow enlarges progressively the knowledge obtainable from the human record. From the imperfections of the social sciences will ultimately emerge more perfect guides to social controls.

Edwin F. Gay

Harvard University

VELOCITIES, TURNOVERS AND PRICES

The ordinary accelerations or retardations of goods or of media of exchange have no effect on general prices. To interpret changes in prices as themselves changes in the velocity of media is to confuse *ratios* of exchange with *frequencies* of transfers. The antithesis and causal independence commonly attributed to turnovers of media and turnovers of goods is further error. Thus mathematical truisms like the following regarding the effects of these turnovers on prices assume nonsense problems and lead to nonsense solutions:

With goods, turnover, and media constant, but with velocity doubled; or with goods, media, and velocity constant, but with rate of turnover halved, prices double.

With goods, media, and velocity constant, but with rate of turnover doubled; or with goods, rate of turnover, and media constant, but with velocity halved, prices fall by one-half.

With goods doubled, rate of turnover and media constant, but with velocity halved, prices fall by three-fourths.

Clearly, however, changes in the volume either of goods or of media are independently causal.

The purpose of the present discussion is to review the traditional doctrine that "the value [s] of a unit of currency [general prices] varies [vary], other things being equal, inversely with the number of the units and their average rapidity of circulation. . . . . The other things include (a) population; (b) the amount of business transacted per head of population; (c) the percentage of that business effected directly by money. This quantity doctrine . . . . does not explain the causes which govern rapidity of circulation. . . . . If these conditions are reckoned in, ... the doctrine is almost a truism."[1]

It is the relation of the rapidity of circulation of media and of the rate of the turnover of goods to general prices that will especially be brought in question. The bearing on prices of the changing frequencies of turnover of goods or of money will be denied. Whether, or how far, the quantity theory of money may be involved will not concern the discussion. The purpose is then to urge that:

To distinguish velocities from turnovers of goods or of media is to confuse the analysis.

To assume that one sort of velocity or turnover can change without an equal change in the other is to misconceive the facts.

Changes of the ordinary sort in the rates of turnover of either goods or media—the commonplace accelerations and retardations in the exchanging of goods, "over-trading," etc.—occur chiefly in the fields of industry merchandising and speculation, *e. g.*, in forward or retarded ordering or buying. They do not significantly occur in the field of the receipt and the expenditure of incomes.

Changes of the institutional sort, *e. g.*, in periods of wage payments,

[1] Alfred Marshall, *Money, Credit and Commerce*, 1923, p. 48.

or of transport of goods or of media, or of methods of transfer of credits do affect the *ratios of exchange* of goods with media—affecting, however equally and always the relative *rates of turnover* of goods and media.

In sum: changes of the ordinary sort in the rate of turnover of either goods or media affect neither the *relative rates* of turnover nor the *ratios of exchange* of goods with media; since not only always and equally and in the same direction must the two rates change, but also both these changes are (1) rather effects than causes, and are (2) effects of the same order in the causal sequence, neither being the cause or the effect of the other. They derive from changing prices rather than produce them.

It should be clear that the total of purchasing power over direct goods which attaches to any individual income cannot commonly be seriously modified through the individual's choices of times of spending. Take it, for simplicity, that he spends his entire income. His buying will be neither the more nor the less, no matter whether he accelerate or retard his spending, in point of the particular dates or the direction of it. He gets no more and no less buying power and buys with it no more and no less of direct goods. Assume even that his habits of buying, in point of his times of buying or of consuming, leave room for these modifications of velocities and turnovers, or cause them, or result from them. It will still be true that with no dollar of his income can he buy more than once or less than once. No change in velocities or turnovers can modify his total of income to spend or his total of buying or of paying or of consuming.

Let it then for the moment be assumed that the $5,000 of annual income of any particular individual accrues in one payment and is promptly and in its entirety spent for the direct goods which he is to consume during the year's period. It cannot matter to the mere volume of his purchases whether these dollars of income accrue early or late, or accrue in weekly or monthly installments. It still holds true that no one of his dollars for spending can he spend more than once. He can buy only $5,000 worth of goods out of his year's receipts of income. For him, then, velocity of circulation can avail nothing for the aggregate purchasing power of his dollars. Nor for society in the aggregate can velocities in spending have anything to say as to the aggregate of purchasing power spent, or as to the aggregate turnover of the direct goods that are purchased. Even if the possibility of savings had not been ruled out of our assumptions, there could be nothing in the turnovers of money or in the velocities of goods to modify the volume of these savings. Nor will it matter to the individual's total turnover of goods for what various sorts of goods he pays out his money.

In the receiving and spending process, therefore, the aggregate turnover of goods and the aggregate turnover of media are unaffected by changes of velocity—or changes of turnover—either of goods or of media. These two sorts of change are parallel, equal and offsetting. There is no place in the processes of the receipt of incomes or of the spending of them for velocities of either sort to affect the "real" totals—whatever may be the effects on prices; even though these changes may, to be sure, be taken to be somehow accompanied by changes in the dates of purchasing or of use. If, then, the turnovers of media or the velocities of goods are in any wise to be seriously modified in point of time, or in the aggregate to be speeded up or increased or retarded or diminished, these effects must be sought wholly in the field of industrial or middleman or speculative activities. That prices go up or down with changes in money turnover proves nothing. They similarly go up or down with changes in the turnover of goods. These changes in turnovers are the effects rather than the causes of prices. The rate of industrial production need not thereby be modified. Why should it? And how could it—merely by the more of trading? The issue is, indeed, precisely this: whether prices will be changed; and, if so, why? Changing prices? Only changes in relative prices, say, of the wages of labor to the prices of products, or of some goods to other goods, are important for industrial acceleration or retardation. Nothing points as yet to changing prices as deriving solely from these changing velocities. The total number of transactions in transfer of either goods or media has not yet been shown to have changed—so far, at least, as the purchasing and consumption of direct goods are concerned. The dates at which the receivers of income collect these incomes, or at which they buy goods, or pay for them, or consume them, may conceivably have something to say for velocities; but not yet do these velocities appear to have anything to say as to the total of any one of these processes, unless, indeed, as still remains undisproved, there may be effects on general prices, and thereby, during the period of change, repercussions on the rates or totals of these processes. In no other wise can the volume of income dollars received, or the amounts spent, or the volume or kinds of the goods bought with the incomes, or the total turnover of goods or of dollars involved in the spending of these dollars, be affected either by the dates at which the dollars are spent, or by the goods bought against them, or by the unit velocities of the media or of the goods.

The length of time, however, during which these income dollars come to stagnate in the pockets of income receivers, and therefore the average individual holdings of cash, may have much to say as to the prices at which these goods will be transferred, although this average delay and this average holding of money may have no bearing on the *number*

of unit transfers either of goods or of media. This larger average holding of money amounts to a changed average time-period demand for money per item of commodity purchased—not more money at each exchange but a longer employment of the money per exchange effected. If, for example, one comes into his full year's income at the beginning of the year and forthwith buys his entire year's budget of goods, the retardation of dollars must obviously be practically nil. But no good has thereby changed hands more or less than once. Therefore no dollar has changed hands more or less than once. If there has been any effect, it must be on the *ratios* at which money and goods exchange and not on the *number of times* that they have exchanged. On the other hand, the retardation of goods will report itself at an average holding of 2,500 units of goods. His middleman-vendor will have to buy his goods for sale correspondingly in advance of their average date of consumption. The income-spender's volume of goods purchased and consumed will be unchanged, with the annual volume of production in society similarly unaffected. But the stagnation of *goods* in the consumer's hands must be as much the greater as the stagnation of cash with the middlemen were the greater, unless, note, the middleman in turn also paid cash to the manufacturer at the delivery of the goods forthwith to be handed over to the ultimate consumer. With this situation made general, the result must be the general antedating of production relative to consumption—goods averaging to be made and delivered six months in advance of their consumption—but all the while with no ultimate change in the rate of the production of goods, or of the turnover of goods, or of the consumption of goods, or of the turnover of media. This general antedating of production and of selling would have no bearing on the volume of goods or of media to be turned over, but only on the period of delay between the receiving and the outlay of the media.

Suppose, on the other hand, that the articulation in time of the production of direct goods to the receipt of income, and to the flow of these goods into consumption uses, were prompt and precise to the utmost, all incomes being paid to their receivers daily rather than yearly, monthly or weekly, and along with this the goods of daily consumption not only purchased daily but purchased on the morning of each day. Nothing in all this need affect the volume of production, or the volume of middleman traffic, or the number of transactions of exchange, or the aggregate turnover either of media or of goods. Nor would the presence and use of credit media affect these quantities, although, with the changing total volume of media, the ratios at which goods and media were exchanged might be profoundly affected. Money would have an increased velocity in the precise and accurate sense of stagnating less—a shorter average period of time between its receipt and its outlay; there-

fore more exchanges effected per dollar within a given period, more money-unit turnovers, but no increased total of turnovers of goods. There would be room therefore for steeply rising prices, if the number of money units continued to be undiminished, else a large fraction of the money units must fail to function at all, though carrying with them no smaller purchasing power than the others which were turning over.

In the long run, however, with the unit costs of money setting its exchange ratios to the cost-produced goods to be mediated by it, no large and enduring change of prices could be credible. But any transition in this institutional change of velocity must impose a transitional period of price change. There is obviously, then, significance in institutional changes such as shifts from monthly to fortnightly or weekly payments of wages, or in the more rapid transport of money, or in credit devices that make fewer or shorter the occasions of money-unit transfers.

But what about the mere fact of the increasing turnover of goods, the total output of products remaining unchanged—their more frequent unit transfers in the transactions of trade, their greater velocity? Or what about the mere fact that, within an established framework of methods and habits, the media are somehow arriving at a more rapid turnover—an increased velocity? These changes in rate of movement must, as has already been noted, be practically confined to the field of middleman and speculative activity. They are not income and consumer phenomena. And so far as goods are entering more times into exchanges, so also must the medium be entering more times, each turnover the obverse aspect of the other. The media can arrive at more turnovers per period only as the goods take on a similarly accelerated velocity in exchange against the media—the greater the turnover of media, the more transfers of goods against it—the more turnovers of either offsetting an increasing number of transfers of the other.

Nor can changes in goods velocities carry with them any significance for general prices. Each increase in the number of transfers of goods carries with it an increasing number of unit transfers of money; each increase in the velocity of money an equal and offsetting increase in the velocity of goods.

What then is to be made of assertions like the following: that with the turnover of goods doubling, with the volume of goods remaining the same, and with the volume of media and the velocity of it remaining the same, general prices must fall by one-half? Or, with volume and turnover of goods remaining unchanged, but with the velocity of the media halved, prices must be halved? Or, with goods constant in volume but doubling in turnover, and with volume of media constant but with its velocity reduced by one-half, prices must fall by three-fourths? Or,

with volume of goods and their turnover unchanged, and with the volume of media unchanged, but with the unit velocities doubled, prices must double? Are these merely mathematical truisms offered for service in solving nonsense problems? Can, for example, the total of turnovers of an unchanged volume of goods remain constant, the while that the number of the turnovers of an unchanged volume of media—its velocity—doubles, whereby prices shall double? But essentially it has been assumed, and is obvious anyway, that there are only the earlier number of exchanges of goods against media, wherefore, still by implicit assumption, only in the earlier number of times can the units of media change hands against the goods. Only, why not twice as many units of media against each transfer of goods? Be it so, for the moment. But this is only an awkward way of asserting a doubling of prices—with this doubling of prices occurring not along with more transfers of goods, and not with shorter periods of pause for each unit of media between its successive transfers, but merely with more units of media transferred at each one of an unchanged number of transfers. And thus the thesis to be established turns out to have been assumed to start with, and to constitute the entire movement of thought by which it is arrived at.

And, similarly, if goods *constant in volume* are to turn over twice as many times—averaging, that is, to stay only half as long in each receiver's hands before getting sold again against money—with money constant in the number of units, prices must still, it is clear, hold stable, irrespective of any initial assumption as to the velocity of the money turnover, and this by virtue of the very fact that the turnovers of the money units must be twice as numerous, the unit velocity twice as great, each unit averaging to remain only half as long in the hands of its receivers; its total of unit transfers twice as great, precisely because with each turnover of goods there goes along, as *quid* in the *quid-pro-quo* transaction of trade, a turnover of money.

But why, with total product constant, may not each money unit achieve its doubled velocity, not in the sense of each unit moving twice as often in mediating twice as many turnovers of goods, but solely in the sense of each unit mediating the transfer of twice as many goods? Obviously, however, this is to report not a change in the unit rate of money turnover but of the unit *ratio of exchange* of money against goods at which each turnover takes place. Goods are moving twice as many times but with only half as many money units changing hands per unit of turnover of goods. Doubtless this is merely another way of saying that prices are down by one-half. Still, why may not precisely such be the fact? One might, to be sure, a little wonder at this pronounced acceleration in the turnover of goods at this 50 per cent fall in their money

values. The explanation of it is doubtless still to be sought, the actuality of it being merely, by sheer assumption taken for granted, as explaining how, with a constant volume of goods, a doubling of exchange transactions—also assumed to be actual—can come to be mediated through a constant volume of money, assumed to be maintaining a constant rate of turnover.[2]

But an equally promising explanation would be that, as the goods were turning over twice as often, so also were the media turning over twice as often, at no modification of the ratios of exchange of media with goods. If, indeed, the media can have only half as many turnovers as the goods, it must be on terms of two units of goods entering into each transfer, where earlier there was only one. These lower prices are then invoked as themselves affording an explanation of how the number of turnovers of goods can double and the number of turnovers of media remain constant. But when one sells goods he buys money; and when one sells money he buys goods. Why should this doubled turnover of goods come to impose the selling of them in pairs, where before they were sold in singles? Or impose the buying of things in double the earlier quantities? There are, note, no more things to be ultimately marketed; no more things to be bought by ultimate consumers. Instead of selling, as before, a yard of cloth, shall the producer or the middleman hunt about for a pair of shoes to go with the cloth—unless, to be sure, the income spender will concur now in buying always two yards of cloth or suits of clothes or pairs of shoes, where earlier he bought only one? Or shall the grower of wheat take it to market in twice as large deliveries, loading twice as many wagons or trucks, or doubling the load, with only half as many trips, to the result, though presumably not in the purpose, of getting only half as high a price per bushel? This doubled turnover of goods must, it seems, have originated with the sellers of goods—have taken place at their initiative rather than at that of the buyers—with prices declining to the point of attracting a newly reluctant public of middlemen and consumers—a buyers' market. But why? The turnover of goods has increased, this by assumption. But why did not also the turnover of money increase? A silly question, since it was assumed that it did not. But if the initiative had been equally with buyers and sellers, the prices might, to be sure, have remained stable. But such, by assumption, could not have been the case—the goods doubling in

[2] Why, indeed, one might inquire, any one of all these assumed changes in volumes, velocities and turnovers? What is it that occasions them, or any one of them—unless, perhaps, it be the very changes in general prices that these changes in velocities, volumes and turnovers are themselves invoked to explain? On this level of analysis questions of this sort can hardly, with due regard to propriety, get asked, to say nothing of getting answered. These changes go by assumption, thereupon to get disposed of as best may be.

turnover and the media not. But what if, instead, by implicit assumption, the initiative had been rested with the buyers? Things must have had a blow-up or a blow-out.

But if goods constant in volume are to be assumed to have doubled in turnover, why shall not equally readily the medium be taken to have increased correspondingly its volume of turnover? If not, other distressing things must certainly happen. If the prices of goods in general are to decline by one-half, money incomes must equally fall off, else each and every income unit must buy twice as many goods as before, no matter how many may have been the turnovers of them in their progress to the hands of income spenders. But there is nothing in the situation to provide twice as large an aggregate output of commodities. And with half the average income, in terms of dollars, unspent, the situation must be forthwith ripe for a prompt recovery of prices, a 100 per cent upswing, through the competitions of the income spenders; else all these incomes must get deflated in point of dollar volumes. What warrant is there, then, for the expectation, or the assumption, that the velocity of media will not increase to offset the greater velocity of the goods, when once this greater goods velocity has itself been causally accounted for, or has been taken out of hand for granted? So far at least as direct goods are concerned, be it repeated, this increase in velocity is not credible; nor is it even possible, irrespective of the fact that the prices are taken to be falling.

But it is clear enough that if these goods are turning over with a doubled velocity, the velocity of the media can remain constant only in the sense (1) of half units of it turning over each twice as often against the goods that also are turning over each twice as often—a 50 per cent drop in prices; or (2) on terms of the same number of turnovers of units of media, with double the earlier volume of goods changing hands at each transfer against a unit of media, again with prices halved—goods now moving in pairs where before they moved in singles; and all of this despite the fact that there are no more goods in the total, or per individual income receiver, to find their way into consumer hands; and despite the further fact that, on this basis, the average spender of income must arrive at the habit of replenishing his stock of direct goods only half as often; unless, of course, he somehow comes into the ability to buy twice as many goods in the total, as in fact he must, unless his total income of dollars shall decline.

Only on the assumption of these falling prices can the nimble sixpence be credited with doing the work of the slow shilling. With prices unchanged and with goods constant in volume doubling their turnover, there is twice as much exchange work to be done. By presenting itself as medium at twice as many transfers of goods, the shilling comes to do

at each unit movement precisely its earlier volume of transfer work. But moving twice as often it does twice as much work in the total. Its average period of stagnation is only half as long. Coming to hand twice as often through twice as many sales, it goes out on buying duty twice as often. The earlier ratio between volume of media and volume of goods still holds, a one to one ratio. The new ratio is between quantities of turnover each twice as great, the price level therefore constant.

Obviously, then, to start with the assumption of unchanged volumes of media and of goods, and then to ask what will happen to prices if the turnover of one doubles, while the turnover of the other remains constant, is to set a nonsense problem. And to solve the problem by arriving at doubled or halved prices is to offer a nonsense solution. And with prices rising, how should it come about that the turnover of goods were falling? It could, however, well be asked how a stable volume of media can actually care for a doubled volume of exchanges of goods, at those rising prices that ordinarily provide the explanation for a larger turnover of goods. These rising prices are hardly to be invoked for the very purpose of explaining why they could never possibly occur. Or it may be that the turnover of goods is taken to have so far slowed down as to offset the advancing prices. Or the escape may be through the creation of more units of media, say, through the larger discounting activities of the banks. They are, in fact, commonly and thus increasingly active in periods of rising general prices, to the degree that turnovers of goods, turnover of media and prices of goods all move upward.

But *suppose now that the goods double in volume* without change in their rate of unit turnover—just more goods to get exchanged at a constant velocity per unit—and to be mediated in exchange by an unchanged volume of media. This is not a nonsense assumption. Is it, then, possible that, by an increasing rate of turnover of the media, this larger volume of exchanges can be mediated with no fall in general prices? No account need here be made of whether the increased output of goods derives from a greater population or from a greater per-capita efficiency—whether a given quantum of income receiving and income spending be done by one man or by two—so long as the incomes are taken to be entirely spent. In either case there are twice the goods to be mediated by a constant number of units of media. Can the unit velocity of the media so increase that thereby general prices may be held stable?

There is nothing in the assumed situation to induce or to impose any change in the unit velocity of goods—any modification, that is to say, in the periods of delay between the buying of goods and the selling of them, or between the dates of the receiving of income dollars and the dates

of the spending of them. *There are merely more goods to move*, each of them passing at an unchanged velocity from hand to hand—at, that is to say, an unchanged average period of rest between their several comings-in and their goings-out. Can this increasing total turnover of goods deriving from a larger aggregate output be mediated through a higher unit turnover of the medium, by the average period of the coming in of the units of media and the going out of them for the purchase of goods coming to be half as long? It is clear enough that, with prices falling by one-half, the medium function could be fulfilled without change in the unit turnover of the medium, but this, note again, *with the prices halved*. Still again, may not the number of unit turnovers of the media increase, whereby no fall in general prices need occur?

If so, however, no clear reason presents itself why this rate of turnover, this velocity of the medium, should not indefinitely increase at correspondingly advancing prices. But what must the falling prices connote? More goods must be turning over per unit turnover of the medium, not however, with a higher velocity of the medium in the sense of an increased number of turnovers of it, but only at each turnover with a higher exchange ratio of the money unit to goods. The *terms* of each exchange transaction are ratio questions. *Turnover* questions are numbers-of-times questions. To interpret higher exchange ratios, lower prices, into higher money velocities is to confuse money values with money velocities—the while that money velocities are being invoked to explain the changing values. The change of prices in question reports merely that a constant volume of media, moving at a constant unit rate of turnover, is at each unit movement from hand to hand exchanging against twice as great a volume of goods.

Our problem therefore reformulates itself into the question whether there can be more events of money turnover than of goods turnover, otherwise than in the illicit sense that less money is changing hands per unit transfer of goods; whether, that is to say, the *quids* can outnumber the *quos*. Changes in the *velocities* of money and of goods—not the *ratios of exchange* between money and goods—are again to be recognized as interdependent facts. The turnover of either implies and requires the turnover of the other. Neither one more than the other is to be regarded as either the cause or the effect of the other.

Taking it, then, as clear that no changes in the rates of money turnovers against goods turnovers are possible, it must follow that solely by modifications in the rates of exchange between money units and goods units can a constant volume of money units intermediate the exchanges of a *changed* volume of goods; and that the changing turnovers of an *unchanged* volume of goods must be intermediated by a changing number of turnovers of money and never by changes in the exchange

ratios of money to goods. Never can the total volume, or the particular quantities, or the timings or the frequencies of the turnovers of goods or of media, be affected by the ratios of exchange between goods and media —excepting, to be sure, as the changing ratios of exchange—the *changing* but never the *changed* prices—may bear equally on these mutual turnovers to accelerate or to retard them.

The foregoing analysis and the derivative conclusions are in no essential aspect to be modified when allowance is made for the functions of commercial banks and for the presence of credit media of exchange. When one shall sell the goods that he has produced or bought, or when or what he shall buy with his receipts, or how great in purchasing power his income shall be, or when or at what intervals his income shall accrue, or what he shall buy with it, or when and in what quantities—are all issues turning not at all on the volume or constitution of the media of exchange against which he sells, or through which he buys, or in terms of which he receives his income and does his buying of direct goods.

In the days of the square dances, the figure called the grand-right-and-left required that the four men of the quadrille circle in order to the right and the four women to the left—all so returning to their original places—the men and women interweaving in tracing this circular movement, and touching hands at each passing. Problem: What would happen were the men individually or in the aggregate to clasp hands with the women twice as often as the women with the men?

Billards also would be a perplexing, not to say an impossible, game were it permitted that some balls be more often kissing than kissed. So again, social and legal complications would multiply were, say, more men than women to enter marriage.

The purpose of the writer, treading in due humility unfamiliar ground, has been to urge:

That changing *volumes* either of media or of goods have independently causal bearings on prices.

That changing *rates* of turnover of media, of the institutional sort, have significant, albeit mainly temporary, bearings on prices.

That changes of the ordinary sort in the *rate of turnover* either of media or of goods can occur only as the changed rate of the one goes along with the changed rate of the other.

That neither of these changes is to be regarded as either the cause or the effect of the other—both being equally, and in the same direction, effects rather than causes; and effects of common causes; and ranking also in the same order in the causal sequence.

That neither of these changes separately, nor even the two in conjunction, can have causal bearing on general prices.

H. J. Davenport

SOME NEW ESTIMATES OF NATIONAL INCOMES

This article stresses the need of comparable estimates of the incomes of the peoples of the nations of the world. Such estimates do not now exist, but they are gradually becoming available. The figures here given for the most part were compiled from official data by statisticians of standing. The methods used were either that of the cumulation of income data or that of drawing conclusions from a study of statistics of production. An analysis by groups of countries enjoying somewhat similar living and business conditions leads to the conclusion that the estimates approximate correctness and may be used for international comparisons with some degree of confidence. The hope is expressed that a growing appreciation of the value of statistics of national incomes may lead other nations to emulate the thorough methods of the American and British workers in this field and may soon make available, annually, comparable estimates of the national incomes of all nations.

An endeavor to answer the question: "What are the relative tax burdens of the nations?" made it necessary to determine a denominator common to all. Obviously per capita figures mean nothing, if for no other reason than that the standard of living varies so greatly. The volume of business transacted, measured by the total foreign and domestic trade or by gross sales of goods at wholesale, was thought of as a possible measure of comparison. However, the impossibility of obtaining a figure for the domestic trade of most countries made it useless to consider trade volume for this purpose. Other possible measures were thought of; but finally it was decided that even with all of its weaknesses the best way of weighing the relative tax burdens of the peoples was by putting their wages and income from other sources in the pan of the opposite scale. This, of course, was no new discovery; for the use of the national income as a measure of the national tax burden has been made frequently. But no class of statistics has been more maltreated. This is true of the weights put in both pans of the scale. Figures of taxation not comparable among themselves have been put in one pan to weigh against figures of national income also not comparable among themselves, in the other pan. An effort is now being made to obtain comparable figures of taxation. However, this is another story which cannot be covered in this article. Perhaps it may be possible later on to report success or approximate success in this quest.

To return to the search for comparable figures of the peoples' incomes. Some months ago identical letters were addressed to statisticians in various lands who had published studies of national income and to others who it was hoped might be able to throw light upon the subject. In these letters it was explained that two objects were in mind—to arrive at a figure for the national income of each nation, and to develop a uniform method of compilation. To that end the recipient was asked, when sending an estimate of the income for his country, to give the

method by which the computation was made. Responses came in slowly but finally it was possible to make up a tentative table. This was sent to the entire list with the request that each statistician would finally pass on the estimate for his own country and at the same time be good enough to give his view as to the figures adopted for other countries. Replies to this last inquiry helped greatly to determine the figures to be used in making up the table printed herewith. This table is still of a tentative character and no doubt the estimates of income vary considerably in value. However, they have the merit of having been prepared by statisticians whose names command respect.

Two principal methods of computation appear to have been used by these statisticians. In countries where income tax statistics were available, the method of aggregating incomes has been adopted; in other instances the estimates have been made by sources of production. For the United States and the United Kingdom we are fortunate in having estimates made by both methods. The word fortunate is used advisedly because the compilation of national income for these nations by each of the methods has brought out the fact that they very closely check each other. In Great Britain Mr. Flux, President of the Royal Statistical Society, made an estimate of the national income of the United Kingdom for 1924 by the production method, of £3,975 million. The estimate of "disposable income" for the same year as made by Sir Josiah Stamp and Dr. Bowley using the income method, aggregated £4,164 million. This latter is the estimate which we have placed in our table because, as explained by the authors, it is that which "can be disposed in private or public expenditure or saved." In an address made before the Royal Statistical Society in January of last year Dr. Bowley pointed out that in making their estimate of incomes, Sir Josiah Stamp and he took more than one definition of income, and that what they called social income was put down between £3,700 million and £3,900 million, whereas Mr. Flux reached a limit of £3,750 million to £4,200 million. He goes on to say that "estimates so expressed are quite consistent with each other if the margins overlap, as they do [in this case] very comfortably."

Dr. King, writing in 1921 in connection with the publication of the results of an extended study of the income of the United States made under his supervision and that of other members of the staff of the National Bureau of Economic Research in New York, arrived at an estimate for 1918 by sources of production of $60.4 billion, and by the method of incomes received, of $61.7 billion. The fact that the estimates by aggregating incomes and by sources of production for both the United Kingdom and the United States as made by these eminent statisticians so nearly agree, leads to the conclusion that assuming the collection of data and the analysis thereof is carefully done, we may expect that estimates

from production sources may be accepted for certain countries as comparable with estimates made by the cumulation of incomes for other countries.

The ideal method of arriving at an estimate of national income of a country would be from an actual census taken for the purpose. If data upon which to base such an estimate could be gathered at each census period by each country in the world, and calculations be made therefrom on an agreed uniform basis, we should have an ideal method of comparing the incomes of the peoples of the different countries of the world. So far as is known to the writer, the only census taken for such a purpose was one attempted in Australia during the war.

With the growing use of the general income tax as a source of national revenue, the method of obtaining the national income by cumulating returns for taxation may probably be considered the next best method of getting at the national income of a country. This method of procedure could be very much helped if the different countries would require everyone, whether or not he or she was subject to the payment of an income tax, to report his income annually to the taxing authorities. The people would no doubt soon become accustomed to reporting their incomes, and the result of having such statistics available in the tax bureaus of the different nations might prove not only to be useful for the purpose of determining the national income, but also might prove to be of unexpected value in determining how the imposition of income taxes could be improved, and especially might be useful in times when it was necessary quickly to obtain increased revenue for an emergent situation. Naturally, in using such figures allowance would have to be made for incomes made and not reported.

Under existing conditions it is necessary to supplement data obtainable from reports to the income tax bureaus of the various governments by estimates obtained from other sources which vary considerably in different countries, depending upon the completeness with which statistical data can be obtained for the purpose. Where income tax statistics are not available, it is probably easier to arrive at an estimate of the national income by an analysis of the sources of production than it is to attempt to cumulate such income data as it may be possible to obtain.

The forthcoming book of the National Bureau of Economic Research may be expected to give the latest views of Dr. King and his associates on the question of the best way to handle the statistics from which income can be computed by each of the principal methods referred to above, or otherwise. The discussion which was held about a year ago in the meetings of the Royal Statistical Society, in which Mr. Flux, Dr. Bowley and others participated, also throws much light upon many of the problems involved in estimating the national income of a country.

Nation	Year	Area in sq. mi.	Population	Income in national currencies	Income in dollars[1]	Dollars per sq. mi.	Dollars per capita
		Thousands	*Millions*	*Millions*	*Millions*		
United States	1928	3,027	119.3	$ 89,419	89,419	29,540	749
Austria	1927	32	6.7	Sch. 6,678	940	29,375	140
Belgium	1928	12	7.9	Frs. 7,000	1,351	112,580	171
British Empire—							
United Kingdom[2]	1924	94	45.0	£ 4,164	18,390	195,638	409
Dominions—							
Australia	1924	2,975	6.2	£ 636	2,955	993	477
Canada	1927	3,654	9.5	$ 5,500	5,500	1,505	579
India	1924	1,108	247.0	Rcr. 2,402	9,250	8,348	37
Union South Africa	1923	472	7.6	£ 186	851	1,800	112
Chile	1928	289	4.0	Pesos 5,488	665	2,300	166
Czechoslovakia	1925	54	14.3	Kr. 83,000	2,460	45,555	172
Denmark	1927	16	3.5	Kr. 3,500	935	58,446	267
Egypt	1928	385	14.0	E.£ 293	1,427	3,705	102
Finland	1926	132	3.6	Mks. 17,000	428	3,242	118
France	1928	213	41.0	Frs. 210,000	8,228	36,629	201
Germany	1925	181	62.6	Mks. 50,000	11,900	65,745	190
Greece	1927	49	6.2	Dr. 46,500	605	12,346	98
Hungary	1927	36	8.5	Pgö. 5,500	962	26,722	113
Italy	1927	120	41.0	Lire 89,758	4,724	39,016	115
Japan	1925	260	83.4	Yen 13,382	5,500	21,154	66
Latvia	1925	25	1.9	Lat 911	176	7,040	92
Lithuania	1924	21	2.3	Lit 1,267	126	6,000	54
Netherlands	1925	13	7.4	Fl. 5,241	2,107	162,076	284
Norway	1927	125	2.8	Kr. 2,700	703	5,624	251
Poland	1928	150	30.0	Zl. 20,000	2,244	14,960	74
Spain[3]	1920	195	22.0	Ptas. 25,825	4,116	21,107	187
Sweden	1924	173	6.0	Kr. 6,000	1,591	9,195	265
Switzerland	1924	16	4.0	Frs. 8,550	1,558	97,337	389
U. S. S. R. (Russia)	1925	8,240	147.0	R. 13,850	7,100	860	48
Yugoslavia	1924	97	13.0	Din. 80,102	1,414	14,577	109

[1] Calculated at average rate of exchange of respective years.
[2] Irish Free State not included.
[3] This estimate appears to be somewhat high, but it is the only available calculation.

One of the clearest expositions of the subject which has come to the attention of the writer is contained in a publication of the Melbourne University Press, made in 1926, entitled *The National Dividend.* The author of this study is Mr. James T. Sutcliffe. In the introduction written by Dr. Bowley, he says, "The size of the national dividend or income and its distribution between persons and classes are among the essential data of all realistic economics, but they are also among the data which it has generally been impossible to measure accurately. . . . . It is only when the problem can be approached from both sides, that of production and that of individual incomes, that security in estimate can be obtained; the former implies the existence of a census of production, the latter requires statistics resulting from an income tax which includes the great majority of non-wage earners and an adequate account of wages."

In the United States we are most fortunate in having estimates of the national income made available annually by the National Bureau of Economic Research. Other nations might advantageously adopt this system. In the present state of the art—if this term may be permitted—it is impossible to obtain comparable year to year estimates for any nation except our own. For instance, the latest estimates which have been published for the United Kingdom apply to the year 1924; we have nothing later than for the year 1925 for Germany or for Japan. The Netherlands give us nothing later than that year; Sweden and Switzerland have no estimates later than for 1924.

Turning now to the table with a view to determining the probable accuracy of the computations, we would draw attention first to the columns giving national income in dollars per square mile and per capita. Passing by the comparatively high income per capita for the United States, let us examine the figures for the leading European nations. Taking the figures per capita and per square mile we get the following results for the four leading nations:

National Income of Larger European Nations

Country	*Dollars per sq. mi.*	*Dollars per capita*
France	$ 36,629	$201
Germany	65,745	190
Italy	39,016	115
United Kingdom	195,638	409

It will be seen that the per capita income of Great Britain is about twice that of France and Germany, and about three and a half times that of Italy. Her income per square mile is five times that of France and of Italy per square mile, and almost three times that of Germany per square mile. In view of the highly industrialized status of the three nations first mentioned as compared with that of Italy, the fact that their estimated income is substantially higher per capita seems reason-

able; and it also seems reasonable to find that the per capita income of France and of Germany is substantially the same. And again, that the income of Great Britain is so much greater than that of the other three nations also seems to indicate that the relative figures are right, because in addition to income drawn from its industries the United Kingdom has a tremendous income drawn from its foreign trade and from its international banking operations. The estimates of income on the basis of area also seem to be consistent.

Let us now turn to a similar analysis of what might be called the northwest of Europe group. These may be summarized thus:

INCOMES OF NORTHWEST OF EUROPE GROUP

Country	*Dollars per sq. mi.*	*Dollars per capita*
Belgium	$112,580	$171
Denmark	58,446	267
Netherlands	162,076	284
Norway	5,624	251
Sweden	9,195	265

In this group we have an indication apparently that the national income of Belgium may be underestimated; for we find that Denmark, Netherlands, Norway and Sweden all range upwards of $250 per capita whereas the Belgium figure is only $171 per capita. However, when we take the area into consideration, the estimate seems to fall out about right. With the exception of the Netherlands the figures reverse themselves; and we find Belgium with an income per square mile of $112,580 as against $58,446 for Denmark, and only $9,195 for Sweden and $5,624 for Norway. Differences in area and the concentration of great manufacturing activities on Belgian soil easily account for these differences. However in the case of the Netherlands we find that the income per square mile is $162,076 as against $112,580 in the case of Belgium; but concentration of wealth in the Netherlands is proverbial and also she may draw a larger income from her East Indian possessions than Belgium does from the Congo. So, after all, it may be that the estimate for Belgium is about right, and that for the Netherlands is a little high. We must not lose sight of the fact in making these comparisons that we are dealing with different years and that if we had the figures all as of one year they might tell us a somewhat different story.

Turning now to the countries along the Danube, let us see how the figures compare:

INCOMES OF DANUBIAN GROUP

Country	*Dollars per sq. mi.*	*Dollars per capita*
Austria	$29,375	$140
Czechoslovakia	45,555	172
Hungary	26,722	113
Yugoslavia	14,577	109

We find that the national income per capita of the nations composing this group ranges from $109 for Yugoslavia to $172 for Czechoslovakia, and that the income per square mile ranges from $14,577 in the case of Yugoslavia up to $45,555 in the case of Czechoslovakia. Here again it seems probable that we are dealing with comparable figures. If anything, the estimates for Czechoslovakia and for Austria seem to be a little high, but we know that the former country has been perhaps one of the most prosperous of the newly created post-war states. Possibly the Austrian estimate is really high, if we are to judge from reports which come to us of social and industrial conditions in that country. It so happens that the data for this estimate are not as satisfactory as in the case of some other countries from which reports have been received.

And now a glance at the figures for the British dominions. Unfortunately it has been impossible to obtain any figures for the Irish Free State or for New Zealand; also, the figure for India is probably subject to revision.

Incomes of British Dominions

Country	*Dollars per sq. mi.*	*Dollars per capita*
Australia	$ 993	$477
Canada	1,505	579
India	8,348	37
Union South Africa	1,800	112

As might be expected, the per capita incomes of Canada and of Australia are much higher than those of the Union of South Africa and of India. This is due to the fact that the former of the last two countries has a large aboriginal population and that the population of India is extremely dense. This state of facts in both cases of course brings down the per capita figures.

Unfortunately with the one exception of Chile, it has been impossible to obtain estimates of national income for the Latin-American countries. The estimate for Chile has evidently been prepared along scientific lines, the income method having been used in arriving at results. As might be expected from a small population scattered over a large area, the per capita income figure—$166—is high, being as high as that of many of the European nations, while the income per square mile—$2,300—is comparatively low.

This situation is reversed in the case of Japan, where, on account of a large population and relatively small area, the per capita figure is very low, only $66 per person, but the income per square mile, $21,154, is relatively high.

The estimate for the Union of Socialist Soviet Republics is low per capita and also per square mile because the area of that country is

large, while the population in the aggregate is also high, but low per square mile.

It would be possible to make other interesting comparisons, but those given, it is trusted, will indicate that this new study of national incomes has not been unproductive of results, and that the methods of computation, while still quite crude in many cases, are gradually improving and becoming more nearly comparative among themselves as the years go by.

The immense improvement which has taken place since the war, both in the gathering of statistical data for various purposes and in the analysis of such data, leads one to hope that the importance of a correct knowledge of the national income of the various nations of the world will lead to arrangements in each country for comparative data along similar lines, and to the determination of methods for handling these data along uniform lines, so that from year to year the number of countries reporting such statistics and the methods by which the statistics are analyzed may steadily increase and improve.

Harvey E. Fisk

Bankers Trust Company
New York

JOB-CONSCIOUS UNIONISM IN THE CHICAGO MEN'S CLOTHING INDUSTRY[1]

"Job-conscious" unionism is practiced not only by skilled trade but also by industrial unions composed primarily of semi-skilled and unskilled workers. This thesis is tested by an analysis of cases on shop discipline, shop practices and trade customs decided by the Chicago Trade Board in the period from 1919 to 1929. These cases concern questions of control of the opportunity to work and the conditions of tenure in the job—the fundamental bases of customary job control. The job security of the Chicago clothing workers is not fundamentally different from that of many of the skilled trade unions, although it may bear a closer relation to the economic efficiency of the industry than is occasionally found elsewhere.

"Job-conscious" unionism, to use Perlman's suggestive phrase,[2] stresses not only, and possibly not even primarily, questions of wages and hours, but builds up joint employer-employee control of all working conditions on the strength of long-run as opposed to immediate bargaining power. Such job control exercised through working rules and trade customs normally concerns problems relating to the labor supply of the industry, the jurisdiction of workers, methods of arrangement of work, work shifts and holidays, wage payment, seniority and promotion, and problems of shop discipline. Many of these questions are more frequently settled on a customary basis than are general levels of wages and hours, because they arise out of the workers' trade experience as well as their desire to protect or control their jobs. One instantly calls to mind the recognized importance of shop practices or working rules in many of the skilled trades, as, for example, the building trades, the railroad crafts, the printing trades, many textile trades such as full-fashioned hosiery knitting, carpet, tapestry and lace-curtain weaving, silk and velvet weaving, mule spinning and other scattered trades. The relative importance of the skilled crafts in modern industry, however, is rapidly diminishing; and doubt has arisen as to the feasibility of "job control" for the large mass of unskilled and semi-skilled wage-earners.[3] The men's clothing industry appears to the writer to offer a fair test of the practice of job-conscious unionism in the face of the recognized trends of modern industry. Here, increasing subdivision of industrial processes has shifted the balance of power from the skilled to the semi-skilled and unskilled workers in the industry; and the union which has been most successful in meeting changing industrial conditions has been

[1] A summary of the findings of this study was presented to the Economics Section of the Virginia Social Science Association, April, 1929. I am indebted to Dr. B. M. Squires, the Impartial Chairman of the Chicago Trade Board, for the use of his file of decisions, and for his reading of this paper.

[2] Perlman, *A Theory of the Labor Movement.*

[3] Lyle Cooper, "Theories of the Labor Movement as Set Forth in Recent Literature," *Quarterly Journal of Economics,* November, 1928, p. 168.

organized on an industrial basis. The general history of industrial relations in the men's clothing industry is well known; but the conditions of job security need to be summarized to prove that industrial unions are job-conscious and that their job control is not very different from that secured by craft unions in the skilled trades.

Job control in the mens' clothing industry is best studied in the settlement of disputes involving shop and market practices by the Chicago Trade Board arbitrator, who adjudicates all disputes arising under the trade agreement in the Chicago market.[4] It will be recalled that this agreement between the Amalgamated Clothing Workers of America and the Chicago men's clothing manufacturers determines the general wage scale and hours of work for some 20,000 workers in the market. It also makes provision for the preferential union shop, for division of work in dull seasons, for the right of appeal to the Trade Board in discharge cases, and for the prohibition of strikes and stoppages during the life of the agreement. Over 2,000 cases have come before the Trade Board for adjudication since 1919, although many more have been settled directly in the shops on the basis of former settlements which have come to have the standing of law in the market. The "custom of the market" is based on the initial standardization of shop practices at the Hart, Schaffner and Marx factory. The decisions have resulted in uniformity of interpretation of the agreement throughout the market, and have settled in some detail the "rights" of workers and managements with respect to important questions of job control.[5] These questions may be roughly classified under the two major aspects of control of the opportunity to work, and control and privileges of tenure in the job.[6]

The control of the opportunity to work is concerned first with the control of the labor supply in the industry. For the semi-skilled and

[4] The impartial machinery at Chicago has been described by a number of writers, notably Leiserson, Wander, Wolman, Haber and Sharp. (See Bibliography of the Amalgamated Clothing Workers of America, prepared by the Research Department of the Amalgamated Clothing Workers of America, 1929). A detailed analysis of the early cases laying the foundation for job and wage control is given by Wander in the *History of the Chicago Clothing Workers, 1910-1922.* This and other material is brought down to date in the present study, although analyzed to prove a different thesis.

[5] While this study is limited to a consideration of the evidence on job-conscious unionism available in the decisions of the arbitrator, it is obvious that union policy is sometimes disclosed in failure to push certain kinds of cases as well as in contesting for "rights." This may result in a shift in actual shop practice, just as the pushing or dropping of discipline or discharge cases by labor managers amounts to a change in the conditions of tenure in the job. Changing market conditions are reflected in the number and kind of cases appealed or dropped, as well as in the actual decisions.

[6] Unless otherwise noted, the following data are based on the Chicago Trade Board cases on shop discipline, shop practices and trade customs, from 1919 to 1929. Cases in the New Series are indicated as N.S.; otherwise the Old Series is understood.

unskilled workers, this takes the form of protection against the permanent overcrowding of sections, and the right of preference for union workers in hiring, transfers, and lay-offs. For the skilled cutters, this takes the form of regulation of the ratio of apprentice to journeyman cutters, and rules concerning the work of trimmers. The recent development of cutting machinery which can be operated by unskilled workers, may modify the strategic position of cutters in the clothing industry in the future.

The control of the opportunity to work is next concerned with control of the work itself, and involves such problems as the regulation of home work sent out from the factories, sub-contracting by union manufacturers, division of work in dull seasons, customary jurisdiction of work between sections and between the management and the workers, and the effects of technical changes in the work-process or the introduction of machinery. Early in the history of the Trade Board the sending out of home work from the factories was prohibited, although this periodically recurs as a question for adjustment. The problems of the responsibility of manufacturers for the working conditions of their contractors, and the diversion of work from union to non-union shops, have been even more difficult to settle. The only principle laid down by the Board has been very general in character: "The Agreement does not contemplate that manufacturers may escape their responsibilities under the Agreement by a diversion of work, nor does it contemplate that enforcement of the rights of the workers should force bankruptcy, any more than that the enforcement of the rights of the manufacturers should be at the sacrifice of rights accorded to the workers by the Agreement."[7] The right of a manufacturer to change contractors has been allowed although it is not absolute, and sometimes the workers have been transferred with the work, although not invariably.

Numerous cases involve the temporary or permanent diversion of work between workers, between sections, and between representatives of the management such as foremen, sub-foremen, examiners and stock men, and the union workers. The principle maintained in the decisions has been that the firm was entitled to do what it had done in the past, and that workers were entitled to the same proportion of work they had enjoyed in the past. To quote from one decision: "The board has been governed by the explicit and implicit terms of the agreement, and has held that unless the Agreement stipulated to the contrary, practices were to prevail during the life of the Agreement."[8] For example, experimentally, work may be given to any worker, but permanently, it must go to the section which normally does that work. Because of the nature

[7] No. 1194—a, Jan. 13, 1922.
[8] No. 569 N.S., Feb. 5, 1924.

of the industry, frequent disputes have arisen when foremen and other management representatives do work which is claimed by the union workers. Although established practices may not be changed except by mutual consent, a worker may be discharged for opposing a change of work agreed upon and attempting to encourage others to resist the change. The employer, moreover, enjoys certain rights in planning production. He may transfer workers, provided they suffer no loss in earnings. He may introduce machinery or other labor-saving devices, provided these do not take place at the expense of the workers. Some proposed changes have been permitted and others disallowed by the arbitration machinery. The agreement also provides for equal division of work in dull seasons, but numerous disputes have arisen as to the methods by which this should be done. As in the cases involving subcontracting of work, no general rulings as to the particular methods for dividing work have been made. In one case it was decided that the firm should have the right to determine the most economical and efficient method of dividing the work, provided this resulted in no disadvantage to the workers.[9] And in another case the Board ruled that a firm could not arbitrarily change established practice with regard to rotary layoffs without agreement with the union.[10]

Questions of privilege and tenure in the job have been the crux of a long series of cases concerned with discipline for infringement or violation of orders, discipline for spoiled work and low production, problems of misconduct in the shop, and the interpretation of special privileges of the job such as vacation or holiday with pay. An important provision of the trade agreement reserves to the management the "full power to discharge and discipline, provided that the power be exercised with justice and with regard to the reasonable rights of the employee;" but difficulties arise in the interpretation of the "rights" of both sides. The factors entering into decisions on discipline and discharge cases were explained by the impartial chairman in one dispute:

> First of all, the seriousness of the given offense—absence without permission, spoiling work, improper language or whatever it may be—must be given due consideration. For example, for a worker to leave a shop without permission is one thing if the firm has been lax in permitting workers to do

[9] No. 957, July 12, 1920.

[10] No. 1272—a, March 4, 1922.

Special shop practice cases of local interest are found in the Hart, Schaffner and Marx Trade Board adjudications. In addition to settlements of problems similar to those outlined for the Chicago market, the following questions have also been adjudicated: the right of the worker to an individual work-place, changing the lunch-hour without consent of the workers, the practice in some departments of workers' waiting for work until all have received work, and the question of what practices are to prevail when workers are transferred, or when a shop is re-opened on a different production basis than formerly. (See especially Hart, Schaffner and Marx Cases Nos. 915, 947, 1090, 1265, 1295, 1313.)

this, and nothing in particular has been done about it, but a different thing if there has been a definite and well-known rule which has been consistently enforced. Actions taken must not be inconsistent. . . . . Standards for management and workers must be related.[11]

Disputes relating to violation of orders have brought out the general principle that orders must be specific and unambiguous in order to be obeyed, and that they must be "reasonable" and, in general, conform to past practice in the shop. In one noted case, in which the firm claimed that its rights had been invaded when workers refused to obey the orders of the foreman, the Trade Board said, "The workers may claim that their rights are invaded when management gives orders the effect of which is to upset past practice."[12] An interesting example of the union's complaint against an "unreasonable" order occurred when one firm issued an order requiring machine operators to return the broken parts of needles when requesting new needles. The union objected on the ground that this was not the market practice, and that the workers resented the implication of the order. The order was rescinded.[13] Workers suspended for refusing to work as directed or for refusing to work overtime might be reinstated on probation, or with loss of a few days' pay, if their service records were good or if there were other mitigating circumstances. A record of previous complaints and suspensions, however, usually led to a sustaining of the discharge by the Trade Board.

Similar principles have held for the settlement of disputes concerning discipline for poor work and low production in the numerous cases on these important issues. The right of the worker to have poor work held pending investigation has long been a customary practice in the Chicago market and was upheld by the Trade Board at an early date. Although money fines for spoiled work have prevailed in other clothing markets, they were expressly prohibited by an award of the impartial chairman in the early years of the Chicago agreement. Loss of pay for a short period has been substituted as a penalty instead of fines, unless the offenses were so serious as to merit discharge. The Board has not appeared to condone carelessness and inefficiency, but has realized that, in its own words, "it cannot be expected that mistakes will never occur."[14] In one case, in which an offpresser was suspended for burning coats, the Board said, "It is impossible to lay down a hard and fast rule as to the number of mistakes that should be permitted before the extreme discipline of discharge is meted out. Much will depend upon the seriousness of the mistakes and the attitude of the worker toward them, as well as the attitude of the firm toward mistakes in general. The

[11] No. 1203 and Appeal, Jan. 17, 1922.
[12] No. 1156 and Appeal, Dec. 12, 1921, March 27, 1922.
[13] No. 127 N.S., Oct. 14, 1922.
[14] No. 427, Nov. 8, 1920.

Board believes that whenever possible the worker should be given an opportunity to improve with a given company. At the same time there is a limit beyond which a firm may not be expected to go in standing the expense of mistakes made by a given workman."[15]

Under the agreement, a worker is expected to fix poor work for which he is responsible, on his own time; but, as in other trades, a good many disputes arise as to the responsibility for poor workmanship. The practice of the market, upheld by rulings of the Board of Arbitration, has been that where responsibility for admittedly poor work can be fixed, the worker must repair the work, even though it may have passed through several departments or through the hands of several examiners. In one case involving responsibility for poor workmanship, the Board stated that "reasonable care is supposed to be exercised in all sections to detect mistakes which will involve greater cost and lower quality," since, otherwise, the cost of supervision would be prohibitive.[16] If responsibility for poor work cannot be ascertained, the goods must be repaired on company time; and if the mistake can be shown to be the fault of the management, a suspended worker may be reinstated with pay for time lost. The management is given the benefit of the doubt in cases of discipline for inefficiency when workers are still in the probationary period of less than two weeks' employment in the factory, or when the case concerns examiners (inspectors) who are responsible for the quality of the product manufactured. In these cases the burden of proof is on the union to show why they should be retained, in contrast to the other cases when the management must give proof for discharge or discipline.

In cases of discipline for low production, customary practice prevails in the absence of standards of production jointly agreed upon. To quote from the Trade Board ruling in one such case, "The union is to make clear to the section (button-holing) that the firm is entitled to the production it has had in the past. . . . ."[17] And again, "Unless work can be proved to be more difficult by a comparison of styles and orders, the firm is entitled to the quality and amount of work it has had in the past, under the Agreement."[18] For the individual worker, therefore, and for the group, discipline for low production or deliberate stalling is equally enforced. In one case, the impartial chairman specifically stated that "wasting time has been held in other cases to be improper conduct, and the deliberate restriction of output by a group or a few within a group will not be allowed."[19] Not only is deliberate restriction

[15] No. 1144, Dec. 8, 1921.
[16] No. 1054, N.S., Jan. 3, 1927.
[17] No. 1011, Sept. 23, 1921.
[18] No. 1181, Feb. 6, 1922.
[19] No. 579-600, Bd. Arb. No. 14 N.S., Feb. 13, 1924.

of output not permitted, but the management has the right to enforce agreed upon standards of production. In the absence of such standards, however, it may be found difficult to prove restriction of output or unusually low production on the part of a worker.

Discipline for improper conduct or improper language appears to have been established on a basis similar to that found in other industries where joint control of working conditions determines precedents for such cases. In one case involving the use of improper language the Trade Board stated its general attitude to the question: "The days of profane and obscene language in the shop are fortunately things of the past, generally speaking, in the clothing industry, and will not be tolerated by this Board when brought to its notice. . . . . Physical violence or threats of violence are among the items that are supposed to have disappeared with sweatshop conditions."[20] Abusive or offensive language on the part of workers usually occasioned discharge, unless the management erred likewise or had been lax in discipline, in which case reinstatement on probation or with loss of a few days' pay would be substituted for discharge. Discharge for fighting in the shop or for intoxication was usually sustained by the Trade Board. In one case, however, where the discipline of a firm's cutting room was found to have been lax, a worker suspended for boxing during working hours was reinstated and the time lost shared by all the cutters in the department.[21] Discharges for proved dishonesty have always been sustained by the impartial chairman; and the union has taken the position of refusing to defend workers charged with dishonesty for which there was conclusive proof. Giving false testimony at hearings of the Trade Board has likewise been an important factor in discharge cases. Discipline for tardiness, on the other hand, has usually taken the form of suspension with loss of pay, except for habitual offenders. In one such case, a man suspended for being late "nearly every day, despite repeated warnings" lost his appeal to the Trade Board and was discharged.[22]

The question of vacation or holiday privileges in certain jobs or departments has usually been settled on the basis of customary practice in the shop or market. In one case the firm had intended to give the holiday privilege for one year only, but the Trade Board ruled that vacation privileges may not be ended except by mutual consent.[23]

[20] No. 618, 636 N.S., May 6, 1924.

[21] No. 356 N.S., June 11, 1923.

[22] No. 1085 N.S., April 21, 1927.

[23] No. 232, June 25, 1920. See interesting example of same case taken by Lancashire cotton manufacturers to English courts with contrary decision. Palmer, "Trade Custom in the Lancashire Cotton Industry," *Jour. Pol. Economy*, June, 1928, p. 392.

The Trade Board has heard cases involving the discipline not only of workers in the shop but also of representatives of the management, usually foremen, and representatives of the union who are shop chairmen. In cases involving shop chairmen or "chairladies," the firm's labor manager files charges with the Trade Board; and the Board rather than the firm imposes discipline. This is in contrast to the procedure followed in cases of other workers, where the union appeals against the discipline already given a worker by a foreman. Shop chairmen may be reprimanded, ordered replaced, put on probation or discharged immediately. In a long series of cases, they have been reprimanded for outbursts of temper in the shop, and discharged for inciting stoppages, which are prohibited in the trade agreement. Shop chairmen have been discharged also for tardiness and loafing on the job, for disorderly conduct in the shop, for deliberate false testimony, for poor workmanship and for arbitrary interference with the management. The union has accepted the responsibility of helping to enforce the trade agreement; and its representatives, therefore, have been held responsible for keeping the letter and spirit of the agreement although they have been accorded special status as union officials. Foremen have likewise been reprimanded for making remarks tending to undermine the union, and fined for using improper language in the shop. With sufficient provocation in the form of improper language or conduct, foremen have been ordered replaced. The result of these cases has been to place discipline in the shop on a dignified and business-like basis, and to develop a sense of responsibility on the part of representatives of both the management and the union.

Job control for the clothing workers of Chicago may be summarized in terms of industrial security. Security of employment, in so far as this can be obtained in changing industrial processes which do not require skill, and in shifting market conditions, is further supported in the Chicago market by an unemployment insurance plan, and a policy of compensation to skilled workers who are permanently laid off. Security of tenure in the job on a reasonable basis of good conduct and good workmanship has been assured workers in the settlement of numerous shop disputes. Security of the union itself is strengthened, at least, by its status in the arbitration machinery, and the decisions on the "rights" and obligations of the union and its representatives. Security in the standard of living established by the trade agreement is conditioned by the immediate bargaining power of the union and is subject to some fluctuation with market and national business conditions.

Industrial security for the clothing workers in Chicago is balanced by what one might call labor stability for the clothing manufacturer.

While the elasticity of his labor supply is somewhat limited, in the long run this limitation works to his advantage in terms of reduced labor turnover and higher standards of workmanship. The maintenance of responsibility for quality and quantity of production on a customary basis or jointly agreed-upon standards of production insures the employer against deliberate restriction of output and makes possible the enforcement of standards. The prohibition of strikes and stoppages during the life of the agreement insures the use of impartial judicial machinery for all disputes, and places the industrial relations of the industry on a scientific basis, in addition to maintaining continuity of production. The employer's right to introduce labor-saving devices and to rearrange work in the interests of efficiency is conditioned by the necessity of protecting the workers' earnings, and maintaining the balance of work between sections. While the employer's right to discipline and discharge workers is limited by the agreement and the awards of the impartial chairman under the agreement, he is sustained in discipline for inefficiency, poor workmanship and improper or disorderly conduct in the shop, under the conditions outlined. No matter how revolutionary the phraseology of a union's constitution may be, it has nothing to gain by forcing the employers of its members into bankruptcy, by promoting inefficiency or raising costs above competitive levels; therefore its job control will not remove from employers their incentive to stay in business.

The industrial security obtained by the clothing workers in Chicago is therefore not fundamentally different from that secured by many of the skilled trade unions, although it may bear a closer relation to the economic efficiency of the industry than is occasionally found elsewhere. The union, by force of economic circumstances, has been increasingly careful not to jeopardize the employment of its members by too restrictive policies. It has, in fact, taken a constructive position in studying the economic problems of the industry, and has been willing to make scientific experiments in the interest of preserving its industrial security. There is, therefore, less talk now about the "custom of the shop" or market, and more emphasis upon the efficiency of the industry; but the fundamental "rights" of customary job control secured in the earlier days of the agreement have not been impaired by this progressive attitude.

GLADYS L. PALMER

Hollins College

CLASSIFICATIONS OF PUBLIC EXPENDITURES

Multiplication of classifications of public expenditures has resulted in confusion and much argument as to which is best. This is due to failure to realize that there will be as many proper classifications as there are possible angles of approach to the subject. No classification should be criticised except with reference to its particular purpose. Furthermore, no classification (except those for budgetary purposes) should be condemned because of difficulty in fitting specific items of expenditure into certain set classes. The classificatory groups are necessarily arbitrary and fixed, while the facts themselves are fluid and dynamic. Every classification that sheds new light on the subject is needed. It is only necessary that we see the various classifications in relation to each other and to the question as a whole.

One of the most noticeable features in the development of a theory of government spending has been the amazing multiplication of classifications of public expenditures. Of recent years it has seemed that there have been almost as many classifications as there are writers on the subject; and the result has been that confusion has beset the novice in the field and uncertainty has characterized the work of many who are not neophytes in public finance. Deplored as this state of affairs is on every hand, yet it seems that little, if any, progress is made in the direction of dispelling the confusion and relieving the uncertainty. It is high time that at least a beginning were made; and if some faint light can be shed upon the subject, this essay will more than have justified itself and the labor spent in its preparation.

As long as we talk of a fiscal science, *Finanzwissenschaft, science des finances*, or *scienza della finanze,* it is essential that due attention be paid to classificatory methods and the development of a financial taxonomy. This is true because classification is one of the first methods of science.[1] Masses of data of any kind begin to take on meaning only as some assortment or classification of them is undertaken and worked out. It is only as this is accomplished that any kind of adequate analysis of financial data or any other data can be carried out.[2]

It was recognition of this first principle of scientific method which led Henry Carter Adams to emphasize the existence of a necessary connection between the development of an adequate classification of governmental expenditures and a theory of public spending.[3] It is only as we can see the interrelationships between the various facts and groups of facts pertaining to public expenditure that anything like an adequate theory can be worked out. Before any use of the inductive method can be made in the study of public expenditures, the data must be organized or classified. Induction is not intrinsically simple and safe. In fact it is beset on every hand with difficulties and dangers which can be coped

[1] A. Wolf, *Essentials of Scientific Method*, p. 90.
[2] K. Pearson, *The Grammar of Science*, ch. i.
[3] *The Science of Finance* (1898), pp. 53-4.

with only as the mass of data is schematized and the emphasis put upon the essential common factors.

Needless to say, Adams was not the first to recognize the importance of classification in a study of public expenditures, nor even one of the first. The attempt to classify must be practically as old as the subject itself in its rôle as a formal discipline and as a worthy division in the general field of public finance. Some of the earlier attempts at classification divided expenditures into "ordinary" and "extraordinary;" necessary, desirable, and superfluous; productive and unproductive; necessary and optional; primary and secondary. More recent classifications are Cohn's according to benefit, Nicholson's according to relationship to revenue, Cossa's into constitutional expenditures and expenditures of administration, Dalton's into progressive, regressive, and proportional expenditures, Nitti's functional classification, to say nothing of Adams' own classification according to whether expenditures are for protective, commercial, or developmental purposes.

One's first impulse upon reading the list, which is by no means complete, is to call down a plague upon all fifty-seven varieties, wipe the slate clean, and start afresh. And this, alas, is what too many have done. More multiplication and confusion are too often the only visible result. However, it must not be concluded that multiplicity of classification in itself is necessarily an evil. Such is far from the truth, for there will be as many proper classifications as there are proper bases of classification. The classification depends for its character upon the particular angle from which the investigator approaches the problem. The botanist does not classify plants as does the farmer into useful plants and weeds, and the geologist and the zoölogist have very different methods of dividing fossils. The classification of each, nevertheless, serves a useful purpose.[4] So in government outlays, each new classification that adds to our understanding of the fundamental functional or structural nature of public expenditures, or that serves a useful purpose in some way or another, is more than justified. Criticism is due only when no new approach to the problem is made but merely new and perhaps fancier nomenclature introduced.

Little fruitful criticism of expenditure classifications can be accomplished without a definite conception of the first principles of classification as a step in scientific procedure and without a clear notion of the purpose of each category examined.[5] These principles are universal

[4] J. S. Mill, *A System of Logic,* 8th ed. (1893), p. 500. See also D. S. Robinson, *The Principles of Reasoning* (1925), p. 241.

[5] Briefly the general rules of classification may be stated as follows:
(1) There must be only one basis for each step; (2) Care must be taken to avoid too narrow a division; (3) When the classification is a continued one, each

in character, and therefore no compunction will be felt about referring to what has been done in classifying public revenues or public debt in support of whatever is presented here in the field of public expenditures. This is important, as many writers on public finance have given more attention to the classification of revenues than they have to expenditures.

After this preliminary discussion, it would seem that the first step in the direction of clarifying the situation would be to attempt a classification of the classifications. These fall into two classes: (1) scientific classifications, the aim of which is to show things in their actual objective relationships; and (2) artificial classifications which have nothing to do with the objective relationships of the objects themselves but are devised for some practical need of man.[6] The purpose of the man of science is not necessarily to serve any practical ends, but is to discover an objective basis, or perhaps several such bases, in the actual structure or functional relationships of the objects classified. On the other hand, he who classifies public outlays for practical purposes is concerned with securing a proper balance between the different interests and activities of the government, with the facilitation of the gathering, compiling and reviewing of financial statistics, with the promotion of accuracy in reviewing the past and in planning the future, with the development of public interest in matters of government finance through the advancement of simplicity and uniformity in the presentation of financial facts.

One difficulty in the classification of public expenditures has been the failure of many to recognize these two types of classifications. Scientific classifications have been criticized because they serve no practical purpose; and budgetary classifications have been a target for critical comment because they seem to ignore logical consistency or objective kinship. Needless to say, this kind of criticism is confusing as well as futile, and it is difficult to see how it serves any useful end. Classifications must be judged according to the extent to which they satisfy the need they were designed to meet. We should not expect contrary fruit from classificatory methods and processes of different types any more than we should expect to gather figs of thistles or grapes of thorns.

A scientific classification is not concerned primarily with physical distribution and arrangement but with logical relationships and functional connections. It is fundamentally an intellectual activity, not a mere corporeal process of putting things in their proper pigeonholes.[7] Yet Bastable criticises the Cohn-Plehn classification of expenditures

---

step should be a proximate one; (4) It should be appropriate to the purpose in hand. J. Welton, *A Manual of Logic*, 2 vols., 2nd ed. (1922), vol. i, pp. 127-137.

[6] Wolf, *op. cit.*, pp. 31-4.

[7] *Ibid.*, p. 30.

because of "the difficulty of assigning the various items of outlay to the prescribed categories. . . . . Expenditures that one writer would put under a particular head will be assigned a different place by another. The classification—to state the point definitely—rests on a *subjective* rather than an *objective* basis. This would seem, of itself, enough to condemn it as a scientific solution of the problem."[8] His criticism of the classification suggested by Henry Carter Adams is similar. Both, he says, fail "to present the characteristics of a grouping, logical and in accordance with fact."[9] Seligman's objection to Adams' classification seems to be based on similar points. He is disturbed over the difficulty of distinguishing between what is "protective" and what is "developmental."[10] Shirras also is troubled with this difficulty of drawing the line between commercial, developmental, and protective functions and wishes a classification "more in harmony with the everyday expenditure of countries."[11]

These criticisms, and others like them, have a ring of plausibility and elements of truth that have won many adherents for them. The difficulties pointed out are beyond contradiction. Yet in raising these difficulties as objections to the classifications in question, Professor Bastable overlooks his own stated principle that "no system is in itself absolutely good or bad; each must be judged by its fitness for the purpose for which it is employed."[12] He seems in his discussion of expenditure classification to forget that the purpose of classifying is to facilitate our analysis and consideration of a great many changing and complex facts. If we preen ourselves over the idea that any scientific classification of public expenditures represents fixed separations and categories of the various items, it is likely to be an obstacle to our thought instead of an aid. The result is that "our thought is hard where facts are mobile; bunched and chunky where events are fluid, dissolving."[13] To assume that things of this sort have absolute limits which can be definitely ascertained is to presuppose a method of measurement which we do not possess and an invariability of boundaries which does not exist.

However, this idea has been stated just as cogently by one who made a name for himself in the field of political economy, John Elliott Cairnes. His statement follows:

> I say our classifications are fictions, but, if sound, they are fictions founded upon fact. The distinctions, formulated in the definition of the class, have

[8] *Public Finance,* 3rd ed., rev. and enl. (1903), pp. 147-8.
[9] *Ibid.,* p. 148.
[10] *Essays in Taxation,* 8th ed., rev. and enl. (1913), pp. 585-6.
[11] *The Science of Public Finance,* 2nd ed. (1925), pp. 49-50.
[12] *Op. cit.,* p. 163.
[13] John Dewey, *Human Nature and Conduct* (1922), p. 131.

a real existence, though the facts or objects lying on each side of the line, and embodying the distinguishing attributes, fade into each other by imperceptible degrees. The element of fiction lies, not in the qualities attributed to the things defined, but in the supposition that the objects possessing these qualities are in nature clearly discriminated from those that are without them. It is, therefore, no valid objection to a classification, nor, consequently, to the definition founded upon it, that instances may be found which fall or seem to fall on our lines of demarcation. This is inevitable in the nature of things.[14]

This conception of classification is by no means an unfamiliar one in the field of general economic theory. The fact that individuals in the productive process cannot be neatly classified according to whether they are landlords, laborers, capitalists, or entrepreneurs does not deter us from making use of these categories in economic analysis. Likewise we find it helpful to speak of land, labor, capital, and enterprise as factors in production; yet even the desultory student of the subject is aware of the element of kinship between labor and management which has led some to designate profits as "wages of management," and recognizes the difficulty involved in determining what is land and what is capital, in the economic sense, in the case of a particular piece of real estate. The foregoing classifications of public expenditures are no more open to criticism because of failure to maintain hard and fast boundaries between the classes than are the categories commonly used in general economic theory.

Nevertheless, there is a very definite sense in which the classification of Adams is exposed to question in that the basis of differentiation is the functions of government instead of the functions of the things classified, public expenditures. The functions of the state are indeed protective, commercial, and developmental as well as executive, legislative, and judicial. But to assume that all public expenditures are for the direct and deliberate promotion of these governmental functions is to assume an intelligence, an honesty of purpose, and a concern for the social good such as is not characteristic of the average citizen or legislator. The public pressure that is brought to bear upon members of Congress, state legislatures, and municipal councils for public buildings, improvements (?) of diverse kinds, and the extent to which such assaults upon the treasury are successful should be sufficient to raise serious doubts as to any close connection between public functions as discussed in political philosophy and government outlays in actual practice. The deepening of harbors and rivers, the construction of public buildings, the draining of swamps, the compensation and pensioning of public employees, all may seem to suggest a definite connection with public functions. But all too often their only connectional relation-

[14] *The Character and Logical Method of Political Economy*, 2nd ed. (1875), p. 149.

ship is with the selfishness of individuals and the ambition of localities. Expenditure is an empiric fact, while functions of the state are part and parcel of social philosophy. Both are subject to change from time to time as new influences are brought to bear in government activities and as new contributions and discoveries are made in the field of thought. But these changes do not take place *pari passu;* and, as a consequence, any connection between government functions and government spending is vague and incidental as a general rule rather than definite and purposive.

Thus the attempt to classify public expenditures according to functions of government is visionary and futile. Not that it is not worth while to attempt classification of the functions of government; but it is a serious error to assume that there is a perfect correlation between those functions and government expenditures. This criticism applies not only to the classification of Henry Carter Adams, but to all other classifications based upon the above assumption.

But what are the functions of the expenditures themselves? One does not need to be gifted with any special insight to see that the answer is the satisfaction of human wants and desires. In so far as these wants and desires are subject to definition and measurement, it is necessarily in terms of utility or benefit. This rightfully gives support to the type of classification worked out by Professors Gustav Cohn and Carl C. Plehn. But that is not all. The Cohn-Plehn classification covers only the question of benefit dispersion, but touches not even the fringe of the other questions of *kinds* of benefit or utility. There is no need to discuss this question at length here for two reasons. First, the subject has already been covered by the present author in another place.[15] In the second place, there is no thought of attempting to substitute a utility classification for the benefit classification mentioned above. To do this would be to err in another direction in that the important aspects now emphasized by the benefit classification would be neglected. However, it is well to keep in mind the fact that our present so-called benefit classification falls far short of covering the utility or social demand aspect of public spending and to give thought to the development of sub-classes which bring out those phases of the problem.

Hugh Dalton has made some interesting suggestions concerning benefit from public expenditures in which he brings out some points pertinent to the utility side of the question.[16] He points out that just as a tax may be proportional, progressive, or regressive in its effects upon the individual taxpayer, so do expenditures have effects which may be

[15] *Public Expenditure* (1927), pp. 155-67.

[16] *Principles of Public Finance* (1923), ch. xix. Although Dalton does not refer to this division as a classification in this chapter, he does so refer to it on page 147.

described by the same terminology. An outlay is proportional if the addition to real income from the expenditure is proportionate, progressive if the smaller the income the larger the addition to real income, and regressive if the addition becomes smaller as individual incomes diminish. In other words, the benefit to the individual from public spending depends to a great extent upon what each already has in the way of wealth and income. Much of the value of this suggestion lies in the fact that it approaches the expenditure problem at the point where the individual is most aware of any benefit from public expenditure, namely, relationship to private income. This provides the basis of a useful classification, or subclassification, which should prove most fruitful in further consideration and analysis of the problem.

Professor J. S. Nicholson has based his classification upon relationship to public revenues instead of private income as has Dalton. He has distinguished four classes of expenditures according to their effect on the return of revenue: (1) expenditure with no return to revenue; (2) expenditure with indirect return to revenue; (3) expenditure with partial direct return; and (4) with full return or even profit. The first class of expenditures would be illustrated by outlays for military defense or for care of paupers and incompetents; the second by the expenditures for a public school system; expenditures for education partially financed by fees collected from the patrons of the school system would illustrate the third class; and the fourth class would correspond to the second class of Adams' classification, the commercial activities of government.[17] From this classification, Professor Nicholson has formulated the generalization that "contrary to the prevailing popular opinion, the principal business of the state is to perform functions that directly do not yield a corresponding revenue."[18]

This classification is praised by both Bastable and Shirras, as "more scientific" than either that of Adams or that of Cohn and Plehn; and it is quite true that it does good service in emphasizing the essential relationship that exists between expenditures and revenues of governments. However, it is doubtful if this relationship is the most essential quality in public expenditures. In fact, this classification subordinates the expenditure problem to the revenue question and defines it entirely in terms of public income. The relationships stressed in such a classification are so specialized in character and are so limited in purpose that it can hardly be used to advantage in general scientific analysis. Furthermore, it should be clear that this is only a refinement of the old distinction between productive and unproductive expenditures which was

[17] *Principles of Political Economy,* vol. iii (1901), ch. xv.
[18] *Ibid.,* p. 375.

pointed out by Adam Smith[19] and which has gone through several stages of clarification and improvement. There can be no objection to the use of this classification if its limitations are recognized and it be not used as *the* classification of public expenditures. For general scientific analysis of expenditure data, Dalton's distinction of expenditures according to effects on private income is more suggestive than the classification of Nicholson just discussed. The fundamental quality of taxation, which is contraposed to the benefit quality of expenditures, is burden, and it is this relationship of benefit and burden that is definitely brought out in the Dalton grouping. The outlines of this idea, however, were clearly developed along another line by Professor Plehn more than thirty years ago.[20]

Those classifications which are made for statistical or budgetary purposes—such as that used by the United States Census Bureau, that suggested by H. L. Lutz, and those described by A. E. Buck in his *Budget Making* (1921)—do not come within the scope of this study. They are not designed to aid the cause of scientific analysis, but are framed with strictly practical ends in view. They are subject to criticism only to the extent to which they fail to attain those ends. In fact, it is true of all classifications that they are open to censure chiefly as they fail to accomplish the purpose for which they were designed.

Things must be seen in their true relationships to classify them properly, and this can be done only as they are known in their true characters.[21] Phenomena then having so diverse and complicated a nature as do public outlays must be studied from a great many angles; and this necessarily leads to the development of a great many classifications. Professor Albion W. Small, an eminent authority in another field, stated the classificatory problem clearly when he wrote as follows:

> Classification is arrangement of abstractions around selected centers of interest. No single classification can ever visualize the social reality, because that reality presents as many aspects as there are subjective centers of interest. The object cut up into abstractions has to be represented by combination of all the classifications which our alternative centers of interest incite us to make. These alternative classifications cannot be put together in any hierarchical order, if faithfulness to reality is to be maintained. To visualize the social reality, it is necessary to learn how to think these classifications as they shoot through and through each other in objective fact, forming the most complicated plexus ever observed. If we try to symbolize or formulate this plexus in categories appropriate to any lesser order of complexity, we

[19] *Wealth of Nations,* Book II, ch. iii. For the best recent restatement see H. L. Lutz, *Public Finance,* (1924), pp. 98-100.

[20] See his article "Classification in Public Finance," *Political Science Quarterly,* March, 1897 as well as his *Introduction to Public Finance,* 5th ed. (1926), pp. 7-8.

[21] Palgrave's *Dictionary of Political Economy,* vol. i, article on "Classification" by F. C. Montague.

shall either give up in despair, or we shall rest satisfied with falsification of the reality.[22]

In the interests of simplicity, it would be a great gain in the study of public expenditures to be able to rule out all classifications but one and to enthrone that one as *the* classification. This, however, would be to "rest satisfied with falsification of the reality." Simplicity would be bought at the expense of superficiality and our analyses would be lop-sided and incomplete. However, it is highly important in attempting to use a number of classifications to see and understand their limitations and to discern their interrelationships; in short, to recognize their true qualifications. We must learn our way among the various classifications and acquire the ability to think easily and accurately within the framework of them.

Harold W. Guest

Baker University

[22] *General Sociology* (1905), pp. 73-4.

THE PROBLEM OF CLASSIFICATION: PUBLIC EXPENDITURES AND REVENUES

The economist, as well as those engaged in the natural sciences, has used many classifications, but has often been unscientific in his method. The classifications which have been used for public expenditures and public revenues will illustrate this. Many classifications have been based upon personal opinion or have been such that individual items could not be placed in any class. The classification of expenditures used by the Bureau of the Census is more scientific than most others, while the usual terms applied to different forms of revenue can be more clearly defined than has ordinarily been done.

What processes are followed by one engaged in the natural sciences in order to arrive at a classification? The botanist looks for certain definite characteristics to distinguish one group of plants from another; the genera and species in the animal world are divided and subdivided because of particular earmarks in the different animals; the geologist has divided rocks into different classes on the basis of some inherent quality peculiar to the different classes. When a new specimen of plant, animal, or rock is discovered, the characteristics possessed by it are the basis for determining to which class it belongs. Since the indicators from which one class is distinguished from another are inherent in the objects themselves, it makes no difference whether the new specimen is found now or a century from now, or who finds it; to place it in the class to which it belongs depends merely upon the identification of its characteristics. Classification in the natural sciences, then, is based upon objective characteristics found in the specimens themselves; there can be no place for the influence of personal opinion in deciding where to place the different units; the passage of time should have no effect on the class into which a specimen with given characteristics will be placed. When once the nature of the specimen is determined, then it will almost automatically fall into its proper place.

Many of the classifications of the economist can scarcely be said to follow this objective, impersonal method used by those who have been responsible for the classifications in the natural sciences. It may be that his specimens are less capable of accurate analysis, or that he has not attempted to use the same method; but the fact remains that the results are often much less accurate and satisfactory than those of the botanist, biologist, or geologist.

One field of economics may be chosen to illustrate this condition. Nearly every one who has written on public expenditures and public revenues has first of all sought to distinguish some from others; but in most cases the classification fails to meet the requirements of exactness demanded in the natural sciences. Some classifications of public expenditures which have been made are: Ordinary and extraordinary; neces-

sary, desirable, and superflous; expenditures for the common benefit, for particular classes yet paid for from the common fund, for the public good yet giving individual benefits, and for individuals; protective, commercial and developmental; and primary and secondary.

A little examination of such classifications as the above will show the difficulty which one encounters in an attempt to make any accurate placement of expenditures under them. It may be possible to decide which expenditures of a particular time are ordinary and which extraordinary, but think of the impossible task of trying so to place the expenditures over any twenty-five year period. The functions which are extraordinary at one time soon become those which we expect the government to perform year after year.

When one attempts to work on the basis of necessary, desirable, or superflous then the decision is largely, if not entirely, one of personal opinion. If six persons, picked at random, were given a copy of the Report of the Secretary of Treasury of the United States, and each were asked to place a N, D, or S after each of the expenditures listed, as he considered each necessary, desirable or superfluous, certainly one could hardly expect an agreement in the results. On the other hand one would expect a great diversity of opinion if he knew that within the group one was an anarchist and another a state socialist.

Much use has been made of the benefit classification; but when one undertakes accurately to place expenditures into each of the four classes, one encounters considerable difficulty. Expenditures for the delinquents, defectives, and dependents are those usually put into that class designated for the benefit of particular individuals yet taken from the common fund. Undoubtedly those maintained in our public institutions at such great costs receive much benefit; but who is there among the group which provides the funds for their care who does not recognize the public benefit from having these individuals segregated from our midst? We have not yet reached that state of development when there are no longer any possessed of devils; but the government has acted the miracle man and taken them from our midst.

Are pensions solely for the benefit of the individuals to whom they are given? If this be true, then why were these particular individuals chosen as the recipients rather than others? When consideration is given to the choice of those upon whom pensions are bestowed, one sees the acknowledgement of a public service for which the pension but represents a belated payment.

When one seeks to place the items for which expenditures are made into protective, developmental or commercial, or into those which are primary or secondary, he finds that the nature of expenditures does not permit them to be so divided without question. The federal government

makes considerable expenditure on the military academy at West Point and on the naval academy at Annapolis which might at first thought be classed as protective; but are not each of these developmental to a considerable extent in their educational aspects? The same difficulty arises in trying to place the funds spent for the maintenance of the Reserve Officers Training Corps.

Some of the governmental activities which at first appear to be developmental, such as forestry preservation and agricultural experiment farms, may be found to possess many aspects of a commercial nature when the sale of products is considered. And who shall say which of the expenditures are primary and which secondary, the pacifist or militarist? the autocratic ruler or the democratic statesman? And may it not be true that an unexpected emergency, such as flood, fire, or earthquake, may be the item of primary importance in making an expenditure, while the objects of expenditure which yesterday were supreme in importance will have lost this prestige?

To separate expenditures into groups which have some inherent difference seems particularly difficult. The division into constitutional and administrative, which has been suggested, if these terms be taken literally, could be of little use. If by constitutional, however, is meant those expenditures which are prerogatives of sovereignty and which never would have been made had governments not come into existence, and if administrative expenditures indicate those which could be made by individuals but which have been assumed by the government, then there is some merit to the claim that such a classification is scientific. There is no room for personal opinion in deciding what functions can be undertaken only by the government; neither does the nature of sovereignty change from one year to another. There can be no question by anyone, now or at any other time, but that expenditures for operating the government and those for regulatory functions are inherently dependent upon the existence of a sovereign power; while such functions as education, conservation, and highways have been taken over in whole or in part from individuals.

The classification of public expenditures used by the United States census bureau much more nearly meets the requirement that each group have definite characteristics. The two primary groups of expenditures are designated as governmental cost payments and non-governmental cost payments. In the first group are put the expenditures incident to the general activities of the government and a subdivision is made into expenses, interest, and outlays, each of which has definitely determinable characteristics. Expenses include those payments from which no permanent or subsequently realizable value is to be received, such as salaries and rents. Interest, of course, is the amount paid for borrowed

funds. Outlays is the term used to describe payments for land, buildings, public improvements, and other payments for objects which possess some degree of permanency. Expenditures under non-governmental cost payments are those for items which do not enter into the general activities of the government. Such are payments for goods to be resold, the payment of debts, and the balancing of accounts between departments.

In this census classification, the same method has been used as that followed in the natural sciences; the placement has been made on the basis of fact, which fact will remain year after year and will have no dependence upon personal opinion. If the fact be ascertained that a payment has been made for the use of borrowed funds, then it at once falls to the category of interest just as surely as the determination of certain characteristics will mark a rock as igneous or a flower as a composite.

In the realm of public revenues the attempts at classification have been no less marked than those in public expenditures. Classification has been made according to the base upon which the levy is made, or according to some supposedly inherent difference in the form of revenue itself. The first type of classification, as a levy upon person, income, or property, has caused little difficulty; for it is not hard to decide whether the actual levy is upon one or the other. There seems to be rather general agreement that revenues, other than gifts or penalties, may be divided into fees, special assessments, public prices, and taxes. Many have tried, also, to distinguish between direct taxes and indirect taxes; and it has been in these latter attempts at classification that difficulty has arisen.

The difficulty with the use of the expressions special assessment, fee, tax, and public price has been that many have used no basis of fact in choosing the form of revenue which they have placed in each. If it can be determined that each of these terms possesses definite characteristics which will always distinguish it from the others, however, then such classification may be accepted as satisfactory; and it will fall in the same category as that which divides rocks into igneous and metamorphic.

There seems to be a rather general agreement as to the nature of a tax. Those revenues are taxes which are compulsorily levied according to some general rule and which are spent with no special reference to the individuals who have made the payment. The difficulty arises in attempting to find earmarks which will set off the other named forms of revenue from taxes and from each other. To define the boundaries of the special assessment is perhaps the least difficult. It is similar to a tax in that it is a compulsory levy according to some general rule, and in that the expenditure of the receipts involves some object of common

good. A marked difference appears, however, in that the payment is measured on the basis of individual benefit, and that furthermore this benefit presumably takes the form of an increase in the value of real estate. The field in which it is possible to use the special assessment, therefore, is somewhat limited; and it is generally used to secure revenue for the construction of streets, sewers, sidewalks and lighting systems.

What are the special characteristics of a fee that distinguish it from other forms of revenue? Can we ascribe such characteristics to it that it will not be confused with other forms of revenue, and such that it may be recognized by anyone at any time and place? In some respects a fee is undoubtedly similar to a tax and to a special assessment. In the levy of each the prerogative of sovereignty must be invoked while some public benefit is involved in the expenditure of the receipts. A tax and special assessment are compulsory levies, as is also the fee if one wishes to avail himself of the privilege or service for which the charge is made. To the fee, however, may be assigned a very distinguishing characteristic possessed by none of the other forms of revenue; and this characteristic gives it claim to a separate class. The payment of the fee legalizes some action or procures the protection of the government in some definite manner. The payment of a fee is only compulsory in the sense that if an individual wants legally to enjoy the service offered by the government upon the payment of a fee, he must make payment.

A tax is seldom concerned with the legality of the base upon which the levy is made. Failure to pay a tax upon an income does not make the receipt of an income illegal, even though the failure to pay may call forth a penalty. Failure to pay a corporation tax does not destroy the corporation; but there is only one way by which a corporation may come into existence, and that is through the grant of the sovereign power of the state. If a charge is made for the grant of the charter, then there is no legal method by which a corporation can come into existence except by making the payment asked by the government. Every state requires a license to be secured before an automobile can be legally operated, while most states still make automobiles subject to the personal property tax. The first requirement legalizes action; and the operation of an automobile without securing the license places the offender in a very different position under the law than the failure to pay the property tax.

Another important distinction between a tax and a fee is that, while the payment of a fee does aid in carrying on a governmental function for the common good, the government at the same time gives some special benefit to the individual who makes the payment. Neither is anyone compelled to make the payment unless he feels that the benefit received will at least compensate for the payment. No corporation would ever

be formed unless the advantage of limited liability, continuity of existence, etc., were as great as the charge for the grant of the charter; no automobile would ever be driven unless the satisfaction obtained therefrom were as great as the charge made for a license; and no mortgage would ever be recorded unless it were considered that the protection thus secured were as great as the charge made for recording it.

In order to attach some distinguishing characteristic upon a fee payment, we may say, that, in addition to being inherent in sovereignty, and while it involves the general welfare and confers some measurable benefit upon the one who makes payment, the payment is not compulsory; but when the payment is made the circumstance which called it forth becomes legal. Under this conception there is no place for a distinction between a fee and a license. It has been said by some that a fee is based upon service, while a license is based upon privilege, and that a license is used for regulation while a fee is not.

Individual cases may seem to indicate some such distinction as the above, but no such generalization can be made. To the individual, a privilege is a service and he will pay for the one benefit just as quickly as the other. In fact, any privilege granted to an individual renders him a service. The idea of regulation, moreover, usually has some place in the motive back of all such levies which fall under fees or licenses. The recording of deeds and mortgages, and other court activities for which fees are exacted have as their background social utility rather than service to the individual. In the case of either the fee or license there is but one legal way to perform an act; that is, by the payment of the required amount. There is no other way legally to become a corporation, to drive an automobile, to record a deed or mortgage, or to engage in many kinds of business, especially in the southern states.

When shall we attach the word "price" to the charge made by a government; and if a charge is a price at one time, can it always be so considered, or does it under some conditions become a tax and under other conditions become a fee? Governmental units enter into many forms of commercial enterprises which might be operated by individuals, or which may, in part, continue to be operated by individuals. Some of such enterprises are education, highways, bridges, the postal system, railroads, etc. The amount of charge has usually been governed by the degree of public interest in the conduct of the industry. If the public interest is negligible, the basis for the charge may be the same as if the industry were in the hands of individuals. If the conduct of the industry becomes more important to the general public, the amount of the charge may be reduced until the service is given at cost, as the service of the postal system in the United States. As the public interest appears still more vital, the charge tends to be reduced until the returns

do not begin to meet the cost. The question arises as to whether the charge under each of these conditions shall be designated as price, or whether under some conditions it should not be called a fee or tax.

Some have designated any charge which does not meet the cost of giving the service as a fee; while public price can apply only when the charge just equals cost. Should the charge be more than cost, it automatically becomes a tax. There is no logic in such an attempt at classification, either from the standpoint of scientific accuracy or usability. In fact, the mere size of a charge gives no fundamental basis of difference. Many individuals sell goods at cost, at more than cost, or at less than cost; but the charge, nevertheless, is designated as a price. There is no reason why this same plan should not be followed in designating the revenue to come under the class of public price. It is a voluntary payment made for a commercial service, by individuals who receive a special benefit from the service. The price is for services which are not prerogatives of the government, and its payment does not legalize action as does the payment of a fee. Of course, it may be that the service will be rendered by a government monopoly, but this does not alter the fact that it could have been produced by an individual. Then, too, the acceptance of the service offered by the government, and the payment of the price, is often a matter of choice. One does not have to pay the government two cents to carry his letter; he may send it by messenger or by express. If he wills to use the governmental service, then only does he pay the price. He may ride on the municipally owned street railway to the city and pay the price, or to accomplish the same end he may walk, fly, drive his own car or hire a taxi, and not pay the public price.

Any charge made by the government for a commercial service should be designated as a price, just as is a similar charge made by an individual. Any attempt to distinguish between a price and a fee, or a price and a tax, on the basis of relation of costs to charge is incapable of use. One of the many duties of a clerk in the office of the Secretary of State is to grant charters to corporations. The charge for a charter is \$10.00. Is this a fee, tax, or price? How are we to arrive at the cost of issuing a charter to a particular corporation? Suppose that we can determine that the cost is just \$10.00, and the payment thereby is a price. Yet next year, if the cost should go to \$15.00, the payment of the \$10.00, a payment identical in every respect with the previous one, becomes a fee; while if it should be more than cost it becomes a tax. Such a distinction, based on relation to costs, makes it impossible to place revenues in their respective classes until costs have been determined, and if costs cannot be allocated, then an attempt to classify is futile.

One explanation of this unsatisfactory plan for classification is that reasoning has been on the basis that things which produce the same ef-

fects are the same. Thus when a city charges more than costs for water, and turns the surplus into the general fund it becomes, it is said, a tax upon the users of water. The effect is just the same as if a tax to the amount of the surplus above costs had been levied upon those who consume water. But there is no scientific basis for such a process of reasoning and for calling such a charge a tax. When one sees the leaves of a tree shaking, he may conclude that it is caused by the wind; but when he investigates and finds the cause to be a boy or a squirrel, the fact that the effect caused by the actions of the boy or squirrel was the same as what the wind might have caused, does not make the boy or squirrel the wind.

Little need be said as to the amount of difficulty which has arisen from the division of taxes into direct and indirect. The constitutional fathers might have had some distinction in mind when they decreed that no direct tax should be levied by the federal government unless apportioned on the basis of population. What this distinction was, however, was not known to the Supreme Court; and in the sixties a personal income tax was held not to be a direct tax, and in the nineties it was held to be one. After the adoption of the Sixteenth Amendment, Chief Justice White reached the conclusion that a direct tax, under the meaning of the Constitution, was one levied upon persons or land. The attempt has been to find satisfactory boundaries for these two words, and as yet the attempt has been unsuccessful. When the possibility of shifting the tax as the distinguishing mark proved unsatisfactory, it was suggested that classifications be on the basis of whether the legislator intended that the tax be shifted. But any classification based on the intent of a lawmaker can make little claim to being scientific.

It may be impossible, in making classifications of public revenues and expenditures, to be as accurate in method as are the classifications found in the natural sciences. But if accuracy be the prime motive in making a classification, then we have been much less accurate than we might have been, both in the choice of terms to denote classes and in defining the boundaries of the terms already chosen. From the methodology used in our classification processes there may be some basis for the query as to whether those writing on public expenditures and revenues have been scientific.

M. H. Hunter

University of Illinois

CORPORATIONS AND THE PUBLIC INVESTOR

Paper presented at the Forty-second Annual Meeting of the American Economic Association, Washington, D.C., December 27, 1929.

"Publicly owned" stock corporations in America now constitute an institution analogous to the feudal system in the Middle Ages. The result is a system of property tenure estimated to control from 35 to 40 per cent of the industrial and mercantile wealth of the country. The trend continues upward. More than half of this amount is in the hands of two hundred corporations. This number tends to decrease; economic power, in result, concentrates. The State has abdicated control over these entities. Stockholders have largely placed their property interests at the will of corporate managements through a series of devices, *e. g.*, (a) power to expand capital stock; (b) non-par stock; (c) waiver of right to buy additional stock; (d) classified shares; (e) power to withhold dividends; (f) stock purchase warrants; (g) "blank" stock.

No effective legal or economic control exists. Ethics, crystallization of business sentiment and education of the public investor, must be the ultimate reliance.

The late Professor Thorstein Veblen, in one of his moments of sardonic prophecy, once called the corporation (meaning the large or quasi-public corporation) "the master instrument of civilization."[1] Probably questionable at the time, and with due reserves as to the definition of "civilization," the statement probably could be substantiated today. Out of the corporate mechanism has come a grouping of economic factors which at length, I think, attains the dignity of an institution. It is the object of this paper to consider a few of the aspects of this institution, and to indicate its possible significance in the coming years of the life of the country.

The Abdication of the State

Even a vignette of the history of the American corporation shows the abdication of the state as a guiding factor. Here, corporations were thought to have been created and fostered by the state in fulfillment of the obvious governmental function of promoting trade and economic welfare. But in early times states created corporations (as it was thought) both with privileges unknown today, as, for example, monopolies on one or another trade functions; penal provisions safeguarding them from interference and the like, and, also, subject to a series of state prescriptions designed to protect all concerned. These fell principally into three categories:

(1) The general public was protected from undue expansion of corporations by a strict limitation of the powers of each corporation.[2]

[1] Thorstein Veblen, *Absentee Ownership,* New York, 1923.

[2] H. W. Ballantine, *Private Corporations,* p. 194, Chicago, 1927; Palmer, *Company Law,* 11th edition, 71, 72; Zabraskie *vs.* Hackensack Railroad, 18, N.J. Eq. 178 (1867). Powers not specifically included in the act incorporating the company were under some theories to have been specifically excluded by implication: see Brice, "Ultra

(2) Creditors were protected by a limitation on the amount of corporate debt, by a requirement that a certain amount of capital should be paid in, and by certain liabilities imposed on stockholders.[3]

(3) Stockholders were protected by the creation of a set of securities simple in structure and carrying a group of definite and rigid rights.[4]

This was roughly the situation until the middle of the nineteenth century, by which time general corporation acts began to be fashionable.

The three types of protection may be said to have substantially disappeared.

(1) Protection of the general public by limiting powers has ceased to exist. The general corporation act of today permits the incorporators to set out such powers as they care to have.[5] Certain things, it is true, they may not do under penalty of falling under regulation, as banking, insurance, and operation of public utilities. Beyond these, the scope of the English language and of the imagination of the incorporators' attorneys is the limit of their corporate powers. The so-called investment trust or trading corporation of today will put in powers allowing it to trade in securities; and will tack on to them several pages of miscellaneous narrative granting perpetual power to rove the world.

(2) Protection of creditors has followed a like diminution. There was an economic reason for this, since creditors developed methods of protecting themselves far more effectively than through the remedies provided by the state. With the development of accounting, and the science of credit management, creditors no longer looked to the out-

---

Vires," p. xix; and see, for example, the act incorporating the Submarine Armour Co., Acts of New York Legislature, 1838.

[3] Endless statutory regulation and judicial authority exists on this point; and there is considerable confusion in theory. The various arguments are summarized in Ballantine, *op. cit.*, 641ff; a typical early case is Ogilvie *vs.* Knox Insurance Co., 22 Howard, 380 (U. S. Supreme Court). The statutes commonly achieve the result by merely requiring that the stock be paid for to the extent of its par value in money or money's worth (this being defined in some way in the statute). Such statutes still exist in, for example, Sec. 16 of the Ohio Corporation act of 1927.

[4] This followed from the statutory limitation of the kind of shares which could be issued. The Submarine Armour Co., noted above, is a fair illustration.

[5] Or see, for instance, the Ohio Corporation act of 1927, sec. 8, providing that, "every corporation of this state . . . . shall have the capacity possessed by natural persons within or without this state.

"The articles of incorporation shall constitute an agreement by the directors and officers with the corporation that they will confine the acts of the corporation to those acts which are authorized by the statement of purposes. . . . ." Instead of regulation by the state, the state grants the corporation complete powers permitting the incorporators to limit them. Substantially the same result is achieved in other states, *e.g.*, Delaware (see General Corporation Law, sec. 5, permitting the parties to set out "the nature of the business, or objects or purposes to be transacted or carried on.")

standing capital stock as a guide to solvency; and most of them had brains enough not to extend credit before a certain amount of capital had been paid in without the guarantee of some responsible individual or pledged security. They looked to the actual situation rather than to legal requirements; and have fared better. Vestiges of the old creditors' rights still remain and occasionally are operative. But where creditors' rights against stockholders can be asserted today, it generally means either that the lawyer's advice has not been followed or that the attorney handling the corporate affairs was not expert in his craft. Yet, though protection afforded creditors by the state may be said to be negligible, they are not unprotected; either by security, endorsement, or close attention to the actual affairs of the corporation, creditors have by economic means succeeded in doing what the state formerly attempted to do, and have done it better.[6]

(3) The third phase of these protections of the state—the protection afforded to stockholders—forms the principal subject of this essay. In the early days the shareholder was not considered the individual principally deserving of protection. He was conceived as a capitalist, theoretically quite able to protect himself. The corporation was small enough so that he could maintain direct contact with the responsible individuals; and thus, either because of his individual influence, or his knowledge of the affairs of the corporation, and community sentiment in general, the law needed to worry little about him.

Out of the change of this fundamental situation, our problem grows.

The Corporation as a System of Property Tenure

Even a cursory review of the relation of corporate to national wealth indicates that our legal vehicle has now grown up and is carrying a stupendous cargo; and that the interests of the entire country are affected. In brief, it has become an outstanding means of tenure of property.

Valuation of the industrial and mercantile wealth of the United States is nothing if not difficult. But the best estimate available of such wealth —*i.e.*, of all the wealth of the country in productive use (as distinguished from property used for private consumption or enjoyment) and excluding property owned by government agencies and for farming purposes—was one hundred and fifty-six and a half billions in 1922, calculated from figures of national wealth compiled by the Federal Trade

[6] See, for instance, the situation existing in the case of the Union & United Tobacco Corporation, incorporated in Maryland in 1926. *Moody's Manual of Industrials for 1928* showed that it had outstanding 255,000 shares of stock of a capital value of one cent each, or approximately $2,500. But it had assets of over $6,000,000; debts of over $3,000,000; the latter being secured mainly by pledge of property. These creditors certainly did not rely on the capital which was formerly the legal safeguard.

Commission.[7] On a comparable basis at that time, ninety-one billions, or more than half (58 per cent) was then owned by corporations. Were the division into a multiplicity of organisms known as "close" or private concerns, individual private businesses or partnerships, merely assuming corporate form for their own convenience, this might not be significant. Actually, in 1922, thirty-four billion dollars represented the net wealth of the two hundred then largest corporations doing business in the United States, in most of which the public investor had a very large interest. Even in 1922, the number of large or quasi-public corporations was far greater than two hundred; and both that number and the actual assets of the two hundred have substantially increased in amount and proportion up to the present time so far as figures are available. Seven years ago, roughly 22 per cent of the entire industrial wealth of the country was thus concentrated in some two hundred managements. Five years later, or in 1927, the net wealth of the two hundred largest corporations amounted to roughly forty-eight billion dollars—an increase of 40 per cent.

No comparable figure on the increase of the industrial wealth of the country can be obtained until the next census; but an increase of 40 per cent in this wealth in five years is improbable. The wealth of non-financial corporations increased only 29 per cent in the five-year period. The large corporations have, therefore, increased their proportion. Increase in the assets of the two hundred large corporations from 1927 to 1929 has, if anything, accelerated. If to these two hundred we add the assets of the other large or "quasi-public" corporations, meaning thereby those corporations which have floated public issues, it is not unreasonable to suppose that the assets of all the quasi-public corporations of today will be found to be between 35 and 40 per cent of the entire present industrial and mercantile wealth of the country; and—even more important—they have shown a steady upward trend. The results of a continuance of this trend through another two decades may be left to the imagination.

It needs no argument to show that a property tenure of this proportion is no longer a matter of academic interest. Its peculiar attraction—fluidity based on corporate securities having open markets—forms a subject all by itself. It is enough here today that this method of property tenure is a major question of legal-economic statecraft.

[7] The calculations of the figures contained in this section were made by Mr. Gardiner C. Means, using as a base the figures of national wealth compiled by the Federal Trade Commission as of 1922; and from special compilations made from the separate balance sheet figures of the two hundred largest (on the basis of gross assets) corporations, by Mr. Means. It is expected that this material will be subsequently published in book form. Compilations are at present on file at the Columbia Law School.

It is the *large* corporation which makes the difference. The field is dominated, not by individuals operating in the corporate form, but by aggregate concerns whose activities rival those of many of the states of the Union. The American Telephone and Telegraph Company, for instance, if compared with the forty-eight United States on a basis of wealth, would have been the twenty-seventh state in the Union in 1922. The wealth of the states increases only proportionally with the entire increase in industrial property. But the large corporation moves, as we have seen, at a faster rate; and its position in relation to individual states would be constantly rising.

Economic Protection of Stockholders

It is axiomatic in financial circles that the larger the number of shareholders, the less influence any one of them has on corporate affairs. In earlier times it was assumed that shareholders needed little protection as against each other or as against the management, since (1) their contact with the management was direct, and (2) theoretically at least the interests of all were the same. The combination thus of a small shareholders' list, and of a unified interest was supposed to be adequate protection by the mere operation of the economic laws of self interest.

The fact today is that the stockholder no longer has direct influence on the management, and, further, the management is one thing; the body of stockholders is another; their respective interests are often opposed.

The Corporate Mechanism

It becomes apposite now to examine the corporate mechanism.

The corporation of today is created and governed by a set of documents known to lawyers as "the corporate contract." Gone is the old theory illustrated at the opening of this paper, when lawyers talked, not of the "corporate contract" but of the "fiat of the state." In 1840 we said that the corporation sprang, like Athena, fully armed from the head of the sovereign, governed in its every detail by the fiat or law which the sovereign state had enacted; and we involved ourselves in a whole web of fictions into which it would not here be profitable to go. Today most courts recognize that the state has, by statute, granted to a group of individuals complying with the statute certain nominal privileges—limited liability, perpetual succession—the right to sue and transact business, under a common name. Practically all of this can be worked out without the help of the state through one or another legal device; so that these privileges need not be taken too seriously. In addition, the state has "permitted" the individuals to set up agreements as between themselves under which they may distribute the property interests

and the participations in income. Severely limited under the old practice which involved the creation of a limited number of securities carrying rigid and practically unalterable rights, today the permission of the statutes in those states principally resorted to by attorneys for corporate purposes are so broad as to permit almost any agreement which the individuals care to make. Under their statutes, a certificate of incorporation or charter is drawn which in theory sets out this agreement of participation and distribution of income and risk of loss. We say that the "corporate contract" arises because every shareholder who subscribes to or purchases a share of stock in the corporation so organized, has "assented" to everything which may be done under the statute as it then exists and (under a well drawn certificate of incorporation) any future amendment thereto; and likewise to everything which may be done under any clause embodied in the certificate of incorporation, or any future amendment to that.[8] This is the so-called "contract theory" —the assumption that every shareholder in a corporation has assented to all of the potentialities of the statute and of the certificate of incorporation drawn under it.

It needs no great acumen to observe that this so-called "assent" or "contract" is largely a fiction. I have yet to find a shareholder who had ever read the certificate of incorporation of the concern in which he held stock, let alone the underlying incorporation act. Were he to do so, I doubt if he would have any great apprehension of its import. "Assent" or "contract" must be considered in a Pickwickian sense. Nevertheless, there is a reason for the legal fiction. The quasi-public corporation of today has to start somewhere. Business could not be done if every one of several thousand individuals were entitled to assert a different understanding of the situation at any time. It is necessary brutally to draw a line and bind all parties to a common basis; and to this extent the fiction does serve a useful purpose.

The fact is that the constitutive documents—at least the certificate of incorporation, and in certain cases the underlying corporation laws themselves, notoriously in Delaware[9]—are drafted not by and for stockholders but by attorneys representing those who organize corporations and who intend being their management. In this the large banking

[8] For an early case see Nugent *v.* Board of Supervisors, 19 Wall. 241 (U. S. Supreme Court 1873); for a very recent case accepting the same thesis, see Davis *v.* Louisville Gas & Electric Co., 142 Atl. 654 (Delaware, Chancery, 1928).

[9] The Delaware Corporation amendments of 1927 and 1929 were drawn by a committee of New York lawyers comprising representatives of the large New York law firms, representing certain large banking houses and large corporate clients. These amendments were nominally submitted to the Delaware Bar Association; but neither in 1927 nor in 1929 were material alterations made. The Delaware corporation lawyers indeed largely rely for their business on the corporate work sent them from New York.

houses often play a great part. The investment stockholder is not usually represented in this proceeding. It is unilateral; and the documents, when they do finally emerge, are drafted with a view to fulfilling the wishes of the intended management to the fullest degree possible. It is not surprising to find the resulting corporate "contract" including clauses granting to the management a staggering degree of power.[10]

The so-called corporate entity of today is carrying on at least two distinct functions, though they are related and overlapping. On the one hand, it is managing an enterprise—manufacturing shoes or sealing wax, running ships or department stores. On the other hand, it is a vehicle for collecting and using capital, and distributing the risks, losses, or gains, according to a series of participations worked out through the corporate form and represented by corporate securities. This latter function is distributive, in the commercial sense of the word. The statistical analysis given above relates to the second function—the corporation as a vehicle of property tenure; and it is with this that we are primarily concerned.

A management may well insist on as free a managerial hand as possible as to how it shall run its business. Nor has anyone grudged managements this group of powers, not only in law but in ideology. No better principle in carrying on business has yet been worked out than to find able men and give them the completest latitude possible in handling the enterprise.

Latitude of power in the field of distribution of interests or as affecting the property rights of the participants raises different issues.[11] It is one thing to say that a management shall be sole judge of how a factory shall be run. It is quite another to give that same group sole power to determine which of the various groups in a corporation shall receive the income; or to give it power to take away at will rights formerly belonging to stockholders and hand them over to outsiders or appropriate them to the management.

Powers in the field of distribution of property rights have been accorded managements through the creation of a series of mechanisms.

[10] A fair illustration of such a charter (which is conservatively drawn for such documents) is the charter of the United Corporation, a holding company organized at the instance of J. P. Morgan & Co., in 1929, for the purpose of managing a group of public utility companies. Far wider charters can be drawn, the Dodge Motor Corporation being perhaps a typical example.

The looseness of the Delaware law and the kind of charters which may be drawn under it form a very real reason why sophisticated investors do not choose Delaware corporations for investment. This is particularly true where the stock is "preferred," *i.e.*, depends mainly on the contract for its value. An examination of the case of Davis *v.* Louisville Gas & Electric Co. will sufficiently indicate why this is so.

[11] See Berle, *Studies in the Law of Corporation Finance*, Chicago, 1928, foreword.

Time does not permit examination of them all. A few will suffice to indicate what can be and has been done.

Mechanisms for Management Control of Property Interests

In enumerating the mechanisms it must be remembered that they have a cumulative effect. Any one alone may not be particularly significant. Combined, their results are sweeping.

(a) *Increase of capital stock.* The accepted financial method is to start the corporation with a large amount of stock authorized, much of which is not intended for present issue. A stockholder purchasing stock buys, not a definite participation, but a participation limited only by the maximum number of shares which the corporation may issue. Quite recently, a well known corporation proposed to amend its certificate so as to have six million shares outstanding and nine million more authorized but unissued. The purchaser of a share of stock would buy actually one-six millionth of the enterprise; but his interest potentially could be changed to one-fifteen millionth upon the issue of the additional stock. This is not important in itself, but, as will be seen, combined with other factors, is of tremendous significance.[12]

(b) *Deletion of par value.* Par value, together with its other effects, had as its principal desideratum the requirement that no new shareholder could be admitted unless he paid in money or other recognized value of some sort not less than the par value of the new shares purchased. In other words, every shareholder entered the corporation under an arrangement which contemplated that if additional stock were issued it must contribute at least a minimum amount equal to the par value. Since the advent of non-par shares, this minimum requirement has simply been deleted, leaving to the management a wide discretion in the price of new issues of non-par shares, and the type certificate provided in it that the board of directors may sell additional shares at any price within their judgment. Issue of the additional shares at a low price may "dilute" the previously issued stock far below its original value.[13]

Neither of these first two changes is necessarily significant until it is combined with a third, the elimination of the preëmptive right.

[12] The corporation referred to was Paramount Famous-Players Lasky Corporation. By reason of the change in stock market values this plan was abandoned. The policy is general throughout substantially all corporations. For a random example, much in the public eye, Curtiss Wright Corporation authorized common stock 2,000,000 shares of class A, 10,000,000 shares common; outstanding or reserved against options, 1,092,537 shares class A, 8,909,833 class B common. Radio-Keith-Orpheum Corporation authorized 3,500,000 class A, 500,000 shares class B; outstanding or reserved against options, 2,606,504 shares of class A, 500,000 shares of class B. Both of these are relatively conservative in their arrangements.

[13] See Berle, *op. cit.*, chapter IV; C. B. Robbins, *No Par Stock*, New York, 1927.

(c) *Control over the right of shareholders to purchase additional stock.* A century ago a Massachusetts court deduced from the very nature of the corporate form a "right" inhering in each shareholder to subscribe in additional issues of stock proportionately to his holding.[14] It operated as a check on the power of the management to issue additional stock; since, if the price was low and diminished the book value of his stock, our stockholder could preserve his position by taking up his ratable part of the new shares.

The courts themselves commenced to limit this right on one or another theory, notably (in a minority of jurisdictions) by holding that it did not apply to authorized but unissued stock, but only to stock authorized by amendment of the certificate of incorporation, and thereby subjected this right to the power to issue additional stock (see (a) *supra*).[15] A further exception was developed, on slight foundation, eliminating this right where stock was issued for property rather than for cash.[16] The final assault on the right was, however, by the inclusion of provisions in corporation acts permitting the corporate charter to contain a clause stipulating that no shareholder should have such a preëmptive right—a permission speedily availed of, and now a feature of many charters.[17] With the disappearance of this right, the power of the management to issue additional stock at any price within their judgment is combined with the power to issue it to whomever they may choose. So far as the corporate contract is concerned the stockholder has thus "agreed" to a possible dilution of his interest.

(d) *Classification of participating shares.* By this is meant the creation of different classes of shares of stock, each class of which is entitled to a definite fraction in the income of the corporation. For example, a corporation may have class A stock entitled as a class to two-thirds of the corporate income, and class B stock entitled as a class to one-third when this becomes distributable.

On its face this does not seem to be a very powerful instrument of control, nor, taken alone, is it. But if united to the power to increase outstanding stock [(a) *supra*], the control widens at once. For instance, if 50,000 shares of class A stock are set up, 10,000 being presently issued and having a right to two-thirds of income; and 10,000 shares of class B stock are set up, all of which are issued, the corporation is able later to issue 40,000 additional shares of class A. But

[14] Gray *v.* Portland Bank, 3 Massachusetts, 363 (1807).

[15] Archer *v.* Hesse, 164 N.Y. Appel. Div. 493 (1914).

[16] Meredith *v.* New Jersey Zinc Co., 55 N.J. Eq. 211 (1897).

[17] For an example, see charter of the United Corporation (filed Delaware, January 7, 1929), clause 12, providing "no stockholder shall be entitled as a matter of right to subscribe for, purchase, or receive any shares of the stock or option warrants of the corporation which it may issue or sell. . . ."

the participation in income will still be two-thirds to the class A, whether 10,000 or 50,000 shares are outstanding. If the balance of the authorized class A be sold, two-thirds of the corporate income has to be spread over a far larger number of shares, and by the same token one-third of the earning power of any contribution made by the new class A shareholders automatically sluices into Class B.

(e) *Power to withhold dividends.* Without contract provision, directors have the power to withhold the distribution of profits by way of dividends on discretion. This again would not be particularly important where there is only one class of stock. Distribution of profits might be delayed; but they would still remain as undistributed surplus accruing to the shareholder.[18]

But if this be united to a classification of stock under which one class—for instance, a non-cumulative preferred stock—receives its dividends only *if declared* within a particular year, and, failing that, loses all right to receive such dividends, it becomes obvious that the power to defer distribution of such dividends includes the power to deprive such stock of any return for the periods during which dividends are withheld. If earned, the amount which might have been distributed as such dividends, accrues to the benefit of some other class of stock, perhaps the common; the management thus having acquired the power to shift earnings at will between two classes of stock.[19]

Whether there is any control over the use of this power is now vigorously debated, some decisions holding that the use of such power is under equitable control by the courts; while the Supreme Court has come to a contrary conclusion, invoking as justification the thesis that the contract permits such shifting; and therefore the shareholder must be held to have assented to the result which follows, no matter how unjust it may be.

(f) *Advance sale of the right to become a stockholder.* This was accomplished under provisions in the corporation acts (and occasionally even without that permission) authorizing creation of "options" to purchase stock at a fixed price. Such options may run for a long period of time. They are usually embodied in the "stock purchase warrants" familiar to the exchanges. Under prevailing practice, notably Delaware, such options may be granted by the directors on any terms, for any period of time (even to perpetuity), and issued for any price which they deem desirable.[20]

[18] New York, Lake Erie, etc., Railroad Co. *v.* Nickals, 119, U. S. 296.

[19] This seems to be the result of the decision of the Supreme Court in Barclay *v.* Wabash Railway (not yet reported). Contrary view, see Berle, *op. cit.*, chapter v, "Non-cumulative preferred stock and control of participation in surplus."

[20] See Delaware Corporation law as amended 1929, sec. 14: "Subject to any provisions in respect thereto set forth in the Certificate of Incorporation, every

In result the ability of the corporation—*i.e.*, the group as a whole—to obtain any benefit of the new capital through stock issues may be tied up for an indefinite period. But the power has more important implications. It permits the option holders to thrust capital upon the corporation when it is not needed and perhaps cannot be used; and at a time when the participation or stock received for the option price may have a value totally disproportionate to the option price itself. This device may (in a successful corporation) permit continual dilution of the stockholder's interest both in book value and in share of earnings, and has the singular feature that it is impossible to determine the number of option warrants outstanding unless the corporation chooses to make it public.

(g) "*Blank stock.*" This is stock created under statutory permission allowing corporations to have authorized shares whose participation in the corporate income preferences, or other privileges, are not set forth in the charter, but may be determined at any time prior to issue by vote of the board of directors. In its fine flower, this device may be found in Delaware under the 1929 amendments to that corporation act.[21]

Such stock virtually constitutes a blank check, drawn by all holders of oustanding stock on their interest in the corporate assets and earnings, and handed over to the management for delivery by it to any person or persons the management chooses to elect and for any price which the management chooses to charge. Under this privilege a corporation having only common stock outstanding, but having also an authorized issue of "blank" stock, may later find this stock "described" by the board of directors next day as having a participation as a class equal to nine-tenths of the entire income of the company, thereby wiping out nine-tenths of the previous value of the common stock. The illustration is of course extreme; no management has gone thus far; it is here intended only to illustrate its potentialities.

Even this device would not be particularly effective if the so-called "preëmptive right" (see (e) *supra*) still existed. But, however, by

corporation shall have power to create and issue, whether or not in connection with the issue and sale of any shares of stock or other securities of the corporation, rights or options entitling the holders thereof to purchase from the corporation any shares of its capital stock of any class or classes. . . . . The terms upon which, the time or times, which may be limited or unlimited in duration, at or within which, and the price or prices at which any such shares may be purchased from the corporation upon the exercise of any such right or option, shall be such as are fixed and stated in the Certificate of Incorporation or in any amendment thereto, *or in a resolution or resolutions adopted by the board of directors. . . . .*" (Italics mine.)

[21] See Delaware Corporation law, as amended, 1929, sec. 5, sub-sec. 4. For a discussion of this class of stock, see Berle: "Investors and the Revised Delaware Corporation Act," 39 *Columbia Law Review*, 563.

deletion of the preëmptive right, it permits the corporate management almost complete control of the property rights in the underlying assets or future income of every participant.

The list might be multiplied almost indefinitely. Power to amend the corporate charter, paid-in-surplus, the right to vote, control of accounting, control of information, appropriate use of subsidiary corporations, power to dissolve and reincorporate, and a number of other similar methods might be listed in the same category. It is merely designed here to convey some idea of the completeness of the machinery by which shareholders' interests are subjected to the management power. Few corporations are equipped with all these instruments; most corporations have some of them; the more recent corporations, especially in Delaware, are apt to have a good many of them.

The Effect of the Mechanisms

Even a casual examination of these mechanisms indicates that they give two wide groups of power to the management. By using them, or a combination of them, appropriately, the profits of the enterprise and also in considerable measure the underlying assets may be shifted from one group of stockholders to another. It is hardly realized that this process is the one which, in older and more philosophic days, when management and ownership were not separated, we called "the power of confiscation." Through the long history of the common law we set up barrier after barrier against this power when exercised by political governments. Today, with the abdication of the state, our instrument of property tenure is the corporation; the government of the property is largely exercised by the corporate management. If there is to be control of this apparent confiscatory power, there must arise a new "intrapolitical," constitutional law, perhaps unwritten, like the constitutional law of England.

With the advent and use of the methods above outlined it will be seen that corporation and communist have a common contention. Both claim the subservience of so-called property rights to an alleged economic exigency; though the corporate spokesman calls it a "business necessity." And the hope for a more orderly civilization from corporations than from communists lies in the fact that the corporate manager will, it is hoped, use his power with greater intelligence. It remains to say, first, that corporate managements are only vaguely aware of the extent of the power they have claimed; second, that in the overwhelming majority of cases the use of the power has been moderate and reasonable. Else the entire system would have fallen down. It is a tribute to the American business man that with so great progress there has been

so little abuse. Unless the powers have been primarily directed towards advancing the stockholders' interests, the corporate mechanism probably would not have continued its steady popularity. But we are now faced with a situation in which what has been done cannot be easily undone; what will be done in the interests of corporate expansion in a time of expansion may be quite different from what will be done when the situation stabilizes, as some day it may, though that day appears to be in the far distant future. Here the statesman must enter the field, otherwise it is conceivable that a generation hence a situation may have been created with which no statesman can cope and in which readjustment of interests can take place perhaps only by processes tantamount to revolution.

Control of Corporate Powers over Property

The picture must now be balanced. There are four main checks on the use of the powers developed. The first is the operation of economic forces as such. The second is a nascent development in the common law. The third is the emergence, from an oblique angle, of state control. The fourth is a certain effective crystallization of sentiment among business men and financiers. Each deserves a word.

The limitation from the economic side has been thus far the need of enlisting the aid of new capital. This probably will be true so long as the country continues to grow; perhaps even after that time, so long as corporate institutions expand. There are still enough opportunities for the investment of capital so that the corporation has to compete, *i.e.*, has to establish a record tending to give investors some assurance that their investment will be profitable. This will even be true so long as there is a reasonable amount of competition between corporations themselves, though manifestly in the time of great accumulations of capital, the force of it will tend to diminish. One of the most promising sources of new capital for a corporation today is its own stockholders' list; and, of course, if they have been ill-used, new funds will not be forthcoming. Undue stress must not, however, be laid upon this apparent protection. While corporations are likely to need new capital, and for this purpose a record of honest administration of stewardship is needed, yet in any given instance it may be more profitable for the individuals forming the management to take their profit and get out, living happily ever after on the money they have made. The Gould fortune remains as a monument of one such incident, and Erie common has not yet (December, 1929) paid a dividend.[22]

[22] See *High Finance in the Sixties,* edited by Frederick C. Hicks, Yale University Press, 1929; especially the essay by Charles Francis Adams, "A Chapter of Erie."

The second protection is through the development of certain doctrines in the common law, one of which is capable of extension. To meet the possibility which has now ripened into fact, in the early days of corporations it was thought that the state had created each stockholder the owner of a bundle of rights. These, or many of them, were regarded as "vested"—*i.e.*, they could not be changed, modified, cut into, or taken away without his assent. In some states, notably New Jersey, this doctrine still survives to a very large extent.[23] In those states it has even survived the "contract theory," though this involved a tortured construction of the contract. It is not easy to perceive how a right can be "vested" under a system of law which asserts that the stockholder has specifically assented to having it taken away by means of one or more mechanisms. With more than the usual judicial cynicism with regard to the doctrine of implied assent to a corporate contract, New Jersey judges, and a few other courts following their lead, have insisted that the assent did not cover all the uses to which the agreed devices could manifestly be put.

The other doctrine in the common law has proceeded on a different theory. It argues from the fundamental intent of a corporation. When, says this school of thought, men place their funds in a corporation, any and all of the agreements which they make are designed to further the success of the corporation and to be used for the benefit of all concerned as their interests may appear. It is true that the management may have all of the powers above suggested. These powers, says this school of thought, have been directly conferred on the management by operation of law, but they are, as it were, held in trust, and the stockholders are the beneficiaries of the trust. Now, throughout the entire development of the common law, courts of equity have imposed limitations on the use of powers by trustees. A trustee, for example, may be granted absolute discretion to do anything he pleases. This means merely that he *can* do it. It does not mean that he *may* do it, and if he abuses that power so as virtually to give away the trust property, courts of equity hold him liable. As a result, though attempts have been made at various times in trust instruments to confer absolute powers on the trustee and to exempt him from any and all liabilities in connection with the use of such powers, the law has almost invariably declined to honor the exemption from liability and has imposed its own standards on the trustee. All that the trust instrument can do is to say what the trustee's *powers are;* where and when he is permitted to use them depends upon a set of standards which the courts will impose independently of the agreement, contract, or constitutive documents.

[23] See, for instance, Lonsdale v. International Mercantile Marine Co., 139 Atl. 50, N.J. Eq. (1927).

In a number of recent cases courts have been doing the same thing with the "corporate contract." For example, power to issue non-par stock, coupled with the power of directors to sell it for any price they deem fit has already been circumscribed. Where the outstanding non-par stock of a corporation is worth say $16 a share and directors proceed to issue a large block for $8.00 a share, the law has required the directors to justify this in some way, either by showing that the corporation needed money and could not get more than $8.00 for the stock, or that the buyer of the stock at a low price contributed additional value through his connections, sales outlets, or what not. A number of cases have circumscribed the device of non-cumulative dividends, holding that where the dividends were earned, though the directors might have power to defer them, this power could not be construed as the power subsequently to pay out the amount of such dividends to common shareholders, the United States Supreme Court, however, holding otherwise in a recent case. Stock purchase warrants, perhaps the most spectacular device now employed, have not yet been subjected to judicial scrutiny; but it is possible that they in turn will encounter a certain degree of control. These limitations are gradually growing, and, when reduced to general principles, begin to amount to a formulation of a set of constitutional limitations for economic empires.

Collection of these limitations and imposed standards has at length been reduced to a guiding general principle. It has been named at one law school (Columbia) the doctrine of "corporate powers in trust." Concisely stated, the doctrine is that all powers accorded managements, of whatever nature, are subject to the tacit limitation that they may be used only for the equal advancement of the interest of all shareholders, and that any use not adapted in this sense may be stopped by injunction or remedied by a judgment for damages. The synthesis is new; but the concept is old; and only lawyers will understand why it has not previously appeared in its thus generalized form. Though not yet generally recognized, there is an apparent trend toward its acceptance; indeed, the situation almost calls it into being.[24]

Too much reliance must not be placed on this check. Courts are not specialized instruments; corporations are complicated affairs. It is not easy for a judge through the process of a trial to discover exactly what has been done, or the precise incidence of it; still more is it difficult for him to weigh the contention that what was done benefited all concerned. Also, controversies rarely get to this stage. A small shareholder is not in a position to face the burden of litigation, costing many thousands of dollars, to protect his interest. It cannot be said that

[24] The authorities are collected and the theory stated in Berle, *Materials in the Law of Corporation Finance*, New York, Columbia University Law School, 1929, p. 115.

the legal remedy is really effective, save in extreme cases. *In terrorem* it does exercise a good deal of influence. There are abuses of power which no intelligent management would undertake for fear of liability of litigation. But the fear cannot be said to be particularly active save where the action taken is either very drastic or obviously unjustified. Fortunately, the history of the law has been that over a period of years—often all too long delayed—judicial instrumentalities do arise making legal doctrines approximately enforceable; and there is no reason to suppose that this has ceased to be the case.

A third check arises out of an entirely different set of premises, and exercises an oblique influence on the situation. In certain industries the state was forced to revert to its original policy of protecting the consuming public. Railroads, public utilities, insurance, and banking corporations have been the activities principally affected; and most of them are now, throughout the United States, subject to regulation. This was originally aimed, not at their functions of distributing interests or participations among their shareholders, but at the service given and the prices or rates charged. Such regulation was directed at companies which actually operated enterprises rather than at "holding companies" which held shares of operating companies. It presently became obvious that the distribution of participations was intimately allied with operations. This cross-relationship has led political governments, with a good deal of reluctance, to enter also into the regulation of securities in these lines. The Interstate Commerce Commission is thus vested with authority to pass upon all new issues of railroad securities. The Massachusetts Public Utilities Commission, an early comer in this field, attained the same power with regard to the public utility issues many years ago. The banking laws of some states regulate to some degree the issue of bank stocks and securities.

Efforts have been made to escape this regulation. Companies *operating* banks, railroads, and public utility corporations, were of course subject to scrutiny. But there was no reason why a corporation should not be organized whose sole function was to buy and hold controlling interests in such companies, the *holding* company selling its securities to the public. And it is a major issue today, both in corporation law and in public utilities, whether or not the security issues of "holding companies" may not also be brought under the regulatory powers of the commissions having jurisdictions. The growth of holding companies to dominate banking corporations would seem to indicate that a similar issue was likely to arise in that field within the near future. The New York Commission to investigate power holding companies is, at the moment, studying the regulation of holding company securities. Bank holding corporations have received considerable attention from members of the

United States Senate; the Morgan power mergers are being examined by the Federal Trade Commission. Whether or not state regulation of security issues will ever enter the industrial field remains an open question.

The fourth check arises from the business community itself. Developments tend to indicate that financiers and business men will mobilize when the situation becomes sufficiently serious. Under the presidency of Mr. Simmons, the New York Stock Exchange, with the advice among others of Mr. May, has gone a long way towards entering this field—a step radical for that body, but felt necessary by a number of its usually conservative governors. The effects of non-voting stock, for example, were minimized by the flat refusal of the New York Stock Exchange to admit such stock to its list—a ruling which redoubled its force when the New York Curb governors followed suit. So-called "investment trust" securities were likewise required to conform, within limits, to certain standards both of underlying management and of form; but as the New York Curb did not here follow suit, the principal result has been that the bulk of investment trust and trading company securities are listed on the Curb Exchange instead. The policy of paying regular stock dividends has recently come in for its share of attention; and in a number of instances corporate managements having attained wide privileges in manipulating their securities have been required first to permit the governors of the Stock Exchange time to examine in advance certain types of action. This cannot yet be said to have seriously affected the situation as a whole. It is merely interesting as indicating that under certain circumstances the business sentiment of the community will crystallize to a point permitting, where necessary, the evolution of machinery to take care of certain of the more obvious abuses which could arise.

Conclusion

I have left out of account many of the most vital problems affecting the corporate situation of today. The desire for liquidity—*i.e.*, the insistence by everyone that his securities shall be immediately salable in an open market; and the resulting effect which this has had in creating paper values throughout the country dependent upon the buying power at any given time in the New York markets; the curious change in human life which results from the insistence of men that their property be no longer embodied in their life-work but in securities, impersonal, mobile, and divorced from private responsibility—all these go hand in hand with the problems above discussed. What I should like to emphasize is that we are seeing, not a change in business method, but a major shift in civilization. As we fought out the principle of absolutism by

governments in political affairs, so, it would seem, we must fight out the principle of absolutism in property affairs when exercised by our corporate managements and stewards. The evolution from enterprises which can be carried on by their owners to engines of production so large as to swallow the individual, and inevitably to separate management power from property rights means that the economic framework of the country is undergoing a distinct change. For myself, I do not regard the coming years with fear. It is never well to try to prevent the hands of the clock from turning. As the political state fades farther out of the picture and economic organisms still more take the lead, we may even find a solution to some of the problems of distribution of wealth which have bewildered and saddened social observers from time immemorial. A Machiavelli writing today would have very little interest in princes, and every interest in the Standard Oil Company of Indiana. And he would be right; because the prince of today is the president or dominant interest in a great corporation. He would draw out his rules for the governance of princes in the last analysis much as Machiavelli had to, by concluding, I think, that the ultimate safety of the system lay in the goodwill of the subjects or people it served. On this point the grimmest of realists and the greatest of idealists would have to unite. As the balances establish themselves, the development of the corporate system may prove to be tending through an age of constitutional monarchy, guided perhaps by an intelligence superior even to the political entities, and at length achieve a position where it may be of greater service to the community at large than has been known in any institution yet developed. In glancing at some of the dangers, there is no need to be blind to the even greater possibilities. Political exigencies called forth in their time their Hamiltons, their Russells, their Stresemanns and MacDonalds; and perhaps we may fairly expect that the economic organisms of today will bring forth the legal and economic statesmen of tomorrow, who in turn may bring these instruments to a balance which will more nearly serve the state in which we live.

A. A. Berle, Jr., assisted by Gardiner C. Means
Columbia University

COMMUNICATIONS

Comment on Rent under Increasing Returns

A reawakening interest in problems of theory has been evidenced in recent years by an increasing number of thoughtful essays in the leading economic journals. Several articles and communications in the last number of the REVIEW present a good American example; but the tendency since the war is probably world-wide. Even in Germany, so long under the domination of a historical school most inhospitable to the logical, formative type of theory, may be seen renewed efforts to attain more generalized, logical statements of economic truths. Professor Adolf Weber of the University of Munich in the preface to his systematic text has recently expressed his full agreement with H. Herkner in the belief that the understanding of economic relationships is best to be attained by a timely rebirth of the methods and doctrines of the classical economists. Weber adds that "Herkner makes this confession at the end of his self-biography (in 1924), which he himself calls 'the life of a socialist of the chair,' and therefore it comes out of a camp in which for decades many of our best minds have felt compelled to combat the classicists with passionate zeal." Interpreted in the light of well-known circumstances in Germany, this is not a plea for the revival in its details of an antique Ricardianism, but rather is evidence of the growing influence of the Austrian psychological school which the German historical economists long embraced in one sweeping condemnation of every attempt to utilize deductive, logical and formative methods of study.

The article in the December REVIEW on "Rent under Increasing Returns" serves a useful purpose at this time in stimulating interest in the older rent doctrine. That grim ghost still is "doomed to stalk the night till the foul deeds done in its days of nature are burned and purged away." But, despite the earnest and laudable purpose of the article in question, it may contribute to further misunderstanding if it is accepted uncritically and without amendment.

Its thesis is perhaps best expressed in its final sentence: "It may be questioned whether theory has not assumed a more invariable and certain relation between rent and diminishing returns than the facts entirely justify" (p. 604). More specifically, the article denies what "most textbooks state that rent does not emerge until the point of diminishing returns . . . . is reached, and thereby imply that rent does emerge immediately that point is passed" (p. 581).

The results arrived at in this article are presented modestly as "of doubtful applicability to actual conditions in a settled and mature country," but as probably having a "practical bearing" under the conditions that will be necessitated by an "indefinitely continued growth of world population."

However, a careful reading of the article raises doubts as to even these very qualified claims, inasmuch as the results seem to be deduced from mutually contradictory assumptions, and from a mistaken interpretation of some of the very essentials of the doctrine that the author is seeking merely to revise in minor details. Let us consider the treatment in the article: first, of cost on the marginal no-rent land, and secondly, of the concept of increasing returns. The one question relates to the interpretation of

the most valid feature of the Ricardian doctrine, the other to certain points of more modern theory.

(1) In the classical rent doctrine, cost (which Professor Wolfe not inaptly prefers to call input) is always held to equal, or to absorb, the *whole* product on the no-rent land. The Ricardian rent doctrine was really a study in the valuation of complementary agents by the residual method; the costs on the rent land being reckoned from those on the no-rent land where there was no surplus above costs—on the marginal land, as it has been called recently. But in the article before us it is at once (see Figure 3) assumed as a fixed condition that the B land is and remains free, or no-rent, land and at the same time that no matter how intensive the cultivation or how large the surplus product, each dose of "input" (cost) continues to absorb (or equal in value) less than the product on the free land. When cultivation extends to and stops at 5 doses on the B land, as is assumed, total return, according to the illustrative table (p. 584), is 50 units of product, costs are only 25 units (5 doses each equal to 5 units of product), and there is a surplus over input of 25 units of product. The author repeatedly indicates such a situation as a possible and conceivable static equilibrium. But is this true? If B is free land, there can be no surplus product (physical or value) above input except on the extreme condition that the product itself is a free good, and in that case evidently there would be no rent on the A land or on any other. If B land is free when cultivated with 5 doses of input, then, in a static equilibrium, the input would have a value of 10 units of product per dose and absorb all the product of 50 units on B, and similar agents would "cost" 10 units a dose if bought for use on A (and a similar "opportunity" cost).

The erroneous method yields equally bad results as applied to the A land in its interrelation with the B land. A fleeting glimpse of the truth is given in the following words (p. 584): "If there were no free land productive enough to yield a surplus over expense of input, tract A would be given 16 doses of input." That is in accord with a feature of the old Ricardian rent doctrine frequently misunderstood in the old days, *viz.*, it is not necessary to have an *extensive* margin of no-rent land from which to measure the rent on good land; an intensive margin of no profit on additional doses of input is an equally effective no-rent margin. Professor Hollander away back in 1895 (*Quarterly Journal of Economics*, vol. ix, p. 175) corrected this then current misunderstanding. But immediately after the recognition above that cultivation on the A land (logically) stops at the point where additional costs produce no surplus above the added costs (and not until then), the argument turns to the assumption that "since land B is free, cultivation of A" stops at 13 doses, although the accompanying table shows that the total net surplus above costs on A can be maximized by going on to the fifteenth (or sixteenth) dose.

The error just noted is magnified in elaborate tables, calculations and diagrams (pp. 585-596), by which it is made to appear that under certain conditions, when the individual cultivator employs the equivalent of 13 doses, he will apply eight of them on the A land yielding a rent, and five on B, free land (p. 596). Observe that this all relates to what an individual will do in adapting himself to a general rent level and situation determined by broad, general forces beyond his control. This leaves the cultivation stopping (see Table III) where an additional dose of input (claiming 5 units of

product) would yield 11.5 units of product on A and 12 units of product on B. The absurdity lies not in the slight inequality between the two surpluses—that is probably a mere accident of the arbitrarily chosen figures—but in the lack of correspondence at the margins in both cases between the inputs (costs) and the products.

At this point (p. 596), the true limiting factor being lost to sight, the curious suggestion is made that the rent on A is determined by the difference between the gross product which could be secured by first, distributing between A and B the 13 doses of input, and secondly, applying all 13 doses of input upon B (to wit, 164 minus 107, leaving 57). But this assumes a most irrational procedure and two errors. First, if B is really free land, then the 5 doses of input applied to it must have a value of, or be rewarded by, the whole physical product, that is, each dose by 10 units of product. Call this, if you will, the marginal valuation of input doses. If, then, 8 doses of input (costing 80 units of product) are used on A to secure a total return of 114, the remainder, 34, is the surplus on the better land and indicates the maximum possible rent under these conditions. It is still another error in this connection to assume, as is done, that if all the 13 doses were used on B land they would be applied intensively on one piece and give a gross product of only 107 units; whereas Table I, containing the assumed data, shows that by spreading the 13 doses of input over two pieces of free land ($6\frac{1}{2}$ doses on each or 6 and 7 respectively) an average return of 10.3 units per dose or a total of 134 units of products could be secured.

(2) The second great source of difficulty in the argument is that elusive term "increasing returns." In the history of economic thought increasing returns (also its converse, decreasing returns) has been conceived of chiefly in connection with long-time dynamic changes in the whole national economy, accompanying changes in the state of the arts, etc., and in the pressure of population—long thus intimately related with the Malthusian doctrine. But sometimes ambiguously it has been used in connection also with the smaller problem of a single enterprise and the static situation in which the user of agents (tenant of land) seeks individually to adjust the proportion of the factors which he controls to the larger situation and equilibrium of which he is an almost negligible part. The former, a social welfare concept, is on historical and logical grounds the better—indeed the only defensible usage in the study of rent levels. The other pertains only to the problem of individual profit. Professor Wolfe, if he is aware of this alternative, prefers and follows the second meaning and (as above indicated) is concerned throughout his discussion with this smaller problem of the individual enterpriser who is trying to adjust his own operations as best he can to a prevailing norm, or to improve upon it, and who, when he succeeds, gets the maximum profit from his agents. In this epoch of still divided and ambiguous usage of terms, an author is of course within his rights and still has respectable company when he thus chooses; but his choice entails certain illogical consequences now pretty generally recognized.

Some of these results appear in connection with the treatment of incremental and average returns in the article before us. It is said (p. 580) that "most writers mean by the phrase 'diminishing returns' diminishing average returns," though, as is added critically, "some do not take the trouble to say what they mean." This statement, in which "returns" pretty evidently refers to individual profit-returns, is doubtless right. The sufficient explana-

tion of the preference for average rather than incremental lies in this simple fact, that in any comparison between two average returns resulting from the use of one dose more or less of input, there is contained and expressed all that is significant of an incremental nature. The question which the individual cultivator has to decide is not whether another dose of input will give a gross result greater or less than did a preceding dose, but whether it will increase the gross result by more than the amount (or value) of the added dose of input. If it thus gives any net gain, it is economically justified. Most of the comparisons in the article between the gross results of successive increments of input are thus beside the mark. As Ricardianism they are unorthodox, and as marginalism they are misconceived.

A crucial difficulty in the article is thus in the way of thinking of the alternative choices of levels of returns as giving increasing returns. The author professes to be using the terms "successive," etc., in a logical and not a time sense (p. 581). He declares that in his analysis he is assuming "static conditions." But the various average and incremental returns in all the invented tables and in the figures could not possibly exist contemporaneously. The moment that a new general rent level is reached (in imagination or in reality) as a result of technological changes causing a different proportion of input to be generally the more economic, the other points and levels become impossible choices for the individual. To think otherwise is an error of interpretation of marginal valuation curves once almost universal, and still common. It is involved in the notion of consumers' and producers' surpluses. Here it is erroneous to think of each dose of input beyond the first as having a separable amount of returns. When, say, 8 doses are used in combination, no single dose has the separate or distinctive return that it had when used separately, but only its *pro rata* now of the new total return. Moreover, in the problem treated in this article, the most profitable mode of use by an individual of a valuable (rent bearing) agent, the rent—either as contractual or as an alternative valuation—is a part of the "costs" of the cultivator, as is now conceded by neo-Ricardian enlightened economists such as Marshall and Taussig. Truly competitive rent implies the use of land by methods and to the degree of intensiveness abreast of current technology and practice. That being so, the attempt of the individual to use only 7 or 6 or fewer doses when 8 was the proper or best dosage, would simply mean loss or utter bankruptcy. These options do not exist in fact or in sound theory. The answer that Professor F. M. Taylor would give, which appears to be fairly stated (p. 596), is conceded by Professor Wolfe to be "in pure static theory . . . . unassailable." In seeking to weaken its force, he patently shifts to dynamic conditions which are not those of the problem he has been discussing. In sum, the static increasing returns, the effects of which upon rent it is the purpose of the article to elucidate, have no existence excepting in the whimsical sense of the correction by an enterpriser of successive costly blunders. This has been accepted doctrine in the newer theory for well-nigh a third of a century.

In the preceding comments Professor Wolfe's use of the word "rent" as the yield or income merely from agricultural land has been followed, although I cannot but look upon such a conception as passé in the light of a past generation of constructive criticism in this field. Can it now be doubted that the idea of a most profitable proportion of complementary inputs is equally applicable to all kinds of agents, or that the most useful aspect of

the old rent concept is applicable as well to the durative separable uses of any kind of goods? I trust therefore that no reader will infer from certain expressions above, regarding the consistent interpretation of Ricardian doctrine, that I mean to signify my own adherence to it. *Gott bewahre!*

Frank A. Fetter

Princeton University

Further Comment by A. B. Wolfe

It was not my purpose, in my article, either to attack or defend Ricardo. I was merely interested in trying to analyze what effect an initial stage of increasing factoral returns, assuming such a stage to exist, might have on the distribution of input between different grades of land, and on the point in this distribution at which land rent would emerge. Professor Fetter is broadminded enough to come to the defense of a doctrine in which he himself does not believe, but in so doing he perhaps takes my article a bit too seriously.

His contentions, if I get him aright, are two: first, that I have misconstrued the Ricardian concept of no-rent, or free, land; secondly, that there is no such thing as a stage of (factoral) increasing returns.

In my analysis I assumed that a cultivator of free "B" land in a new country might have a surplus above costs of cultivation. Professor Fetter objects to this assumption on two grounds: first, that it is logically impossible, because if the land be free the value of the input will automatically, through competitive market pricing of the capital and labor elements of the input, be as much as the value of the output. Assuming a frictionless market, impossible in any real world, and less likely to be approached in a country where there is free land, this point is well taken. But it does not, so far as I can see, invalidate my conclusion that, where there is a stage of increasing returns, where the cultivator has limited resources, and can shift from one tract to another only in small doses, the extension of cultivation to inferior land has no precisely determinate relation to the point of diminishing returns, however one may choose to define that point. Professor Fetter's oversight—I will not call it "error," because not all differences in habit of thought are erroneous—lies in the fact that he has failed to give due attention to the conditions as to available amount of input and to size of doses, which I was careful to state. The size of dose, while at first thought appearing to be immaterial, makes a great difference in the conclusions which will result from use of the convenient and attractive, but, as I believe, always dangerous and somewhat unreal marginal method of analysis. Professor Fetter says that on the free land of the Ricardians the cost of cultivation absorbed the whole product. Perhaps so, but it was precisely their failure to analyze on the free land those differences of cost of different amounts of output, which differences must exist if cultivation is carried beyond the infinitesimal initial dose of input, and if there is any truth whatever in the whole theory of "diminishing" factoral returns. It was this failure which led Ricardian theory to infer a much closer relation between the point of diminishing returns and the emergence of land rent than to my mind is justified either by logic or practice.

More specifically, Professor Fetter takes me to task for daring to assume that the cultivator of A land would put only 13 doses on it, when the maximum surplus above costs would come at 16 doses. He has neglected to note the fact that at this point I was proceeding on the assumption—not an inadmissible one so far as I can see—that the cultivator has resources of only

13 doses. Under this supposition, the cultivator would be foolish to put all 13 on A land when for 5 of them he could get a larger product on B land. (Professor Fetter is right in saying that it would be uneconomical to apply all 13 doses intensively on one piece of B land. That goes without saying, for if land is plentiful enough, no B land should be cultivated beyond the point of maximum average return, if we are to conduct ourselves according to Cassel's "general economic principle" of putting things where they will do the most good.) One more point with regard to the idea that the cost of cultivating the inferior land absorbs the value of the total product: accepting this conceptual basis of analysis, it means that we have to compare total or average return on the inferior land with marginal, or incremental, return on A land. This seems to me to demand that we play with loaded dice.

With regard to Professor Fetter's second main point: He says that "static increasing returns . . . . have no existence excepting in the whimsical sense of the correction by an enterpriser of successive costly blunders." This is perhaps a "whimsical" way of putting it, but does not invalidate the truth of the contention. It may be unfortunate for the theorist's peace of mind, but the hard concrete fact is that that is what a significant part of economic life and business management is—the correction of successive costly blunders. Yet they are not always "blunders." A public utility company may build a fixed plant too large for its present custom. It is operating at higher costs than it will operate at when its custom grows so that it can bring its factoral proportion nearer to the point of maximum efficiency; it is operating in the stage of—if you please, static—increasing returns; and the same has been true of thousands of western farmers who took up more land than they had capital to cultivate adequately. To deny the existence of a stage of increasing factoral returns is simply to fly in the face of fully recognized engineering theory and practice.

It is unfortunately true, as Professor Fetter intimates, that the phrase "increasing returns" has been used in many and often ill-defined senses, not only for time-sequences and dynamic trends, as he says, but for variations of returns due to (a) differences in factoral proportion, (b) differences in size of plant, (c) differences in degree of plant utilization—load factors and capacity factors. It is greatly to be wished that economists would recover from their fear of the use of exactly defined technical terms for technical matters; but any attempt to introduce an adequate terminology of costs and returns is pretty sure to meet with rebuff if not with derision.

The strict marginal theorist should take to heart the remark which Hamlet sadly addressed to his friend from Göttingen, "There are more things in heaven and earth, Horatio, than are dreamt of in your philosophy."

A. B. Wolfe

Ohio State University

Land and Capital

It is a little surprising that Professor H. G. Brown should in the September, 1929, issue of this journal speak rather contemptuously of "certain contemporary American economists" who fail to agree with him in supposing "land itself to be significantly different from humanly constructed capital." I should have thought it more reasonable to talk of "certain American economists who still believe in the importance of the distinction once drawn between the natural and the artificial qualities of land." The Ricardian theories never had such hold on the Continent of Europe, and have lost much of their strength in England, where the young are growing up without any of the reverence for them which was inculcated in my early days.

Professor Brown seems to rely chiefly on the old idea that land is given by Nature and is not producible or reproducible by Man. "The value of land as such, *e.g.*, its situation value as distinguished from improvements," he says, has no "appreciable relation to any cost of production, since the land is not, practically, reproducible."

Thirty-six years ago[1] I called or recalled attention to the important fact that Ricardo himself abandoned his conception of "land," the thing for which "rent" (in his phraseology) is paid, as entirely the gift of Nature, before he had finished writing his principles. In the footnote at the end of his chapter on "Poor rates" he says that in an earlier part of the book he "did not perhaps sufficiently distinguish the difference which would arise from the different modes" in which capital may be invested in improvements. "As a part of this capital," he explains, "when once expended in the improvement of a farm, is inseparably amalgamated with the land and tends to increase its productive powers, the remuneration paid to the landlord for its use is strictly of the nature of rent, and is subject to all the laws of rent."[2] It is only, he thinks, the other portion of capital invested in improvements, the portion "bestowed on buildings and other perishable improvements," which does not "obtain for the landlord any permanent addition to his real rent." So it cannot be claimed that Ricardo held that land is a pure gift of Nature and is not producible by man—"humanly constructed," to use Professor Brown's own words.

Of course anyone is at liberty to say that second thoughts are not always best and that he prefers to follow Ricardo's first thought, in which land, the object for which "real rent" is paid, is not land as we see it, generally altered out of all recognition from its "original" state (at whatever date it may be supposed to have been in that state) and surrounded by (or at least communicating with) an area on which the hand of man has been actively at work for some thousands of years. But if he does that, we are entitled to ask him to give us some better idea of what he conceives this real "land" to be than Professor Brown gives us by merely speaking of "the value of land, as such, *e.g.*, its situation value as distinguished from improvements."

Why *"e.g.,"—exempli gratia?* Is not it only to avoid mention of the other leg on which stands the Ricardian scheme, namely "fertility"? This is so obviously a very weak leg that it may well be felt by Ricardians that the less said about it the better. Fertility is "producible"; and "original" fertility, if any, is destructible. The "original" fertility of fields in Essex is long ago

[1] *History of Theories of Production and Distribution*, 1893, pp. 195-6; *cf. Review of Economic Theory*, 1929, pp. 245-6.

[2] *Principles*, 1st ed., p. 362, unaltered in 2nd and 3rd eds.

forgotten; their present fertility, the product of man's labor, affects not only their own value but the value of the "original" or "natural" fertility of untouched areas on the outskirts of occupation in Alberta and Australia.

No wonder then that Professor Brown prefers to avoid mention of fertility. But is "situation" really any less "producible" than fertility? Goodness of situation has generally been regarded as chiefly due to proximity to the markets afforded by large aggregations of population. But was it always Nature that put these aggregations where they are? Nature made the Thames and the Hudson, and thus may be said to be in great degree responsible for London and New York, though William Rufus had his share in London; but what of Washington? And would the southern end of Lake Michigan have made Chicago without the "humanly constructed" railroads? Situation as defined by latitude and longitude is not alterable by human endeavor; but in the more useful sense of relative accessibility it is altered by human effort every day. The Manchester ship canal put Manchester on the sea-coast; the Suez and Panama canals have altered the relative position of whole continents; the recent development of road transport has caused thousands of places which have long been "out of the way" to become well-situated in comparison with rivals which had gained more than they did by the construction of railroads. I speak with feeling on this subject, as at this moment the agent of a land-owning institution is endeavoring to put my home half a mile further away from certain desirable objectives by the erection of a "humanly constructed" iron bar across a lane.

"The value of land," says Professor Brown, "bears no relation to the cost of duplication." Well, nothing can be duplicated in the sense of another thing being created *identical* with it; and few things can be duplicated in the sense of other things being created exactly similar to them in all respects. But nothing like exact similarity in all respects is required for formidable competition affecting value; one brand of chocolate or one newspaper may drive out another without being at all similar. Has anyone the least doubt that the value of much English land was reduced by the duplication of cultivated land when new areas were taken into cultivation in North and South America, and that it would have been even more reduced if the cost of the duplication had been less than it was? If we are told, as Marshall seems to tell us with his bracketed "in an old country," that the doctrine of the unduplicatability of land is only to apply to a world where all the land is occupied, we might reply that we prefer economic doctrines which apply to the world as it is; but a better answer is that the most complete occupation would make no difference. It would still be possible to "duplicate" good lands by making bad land into good land; and the value of the old good lands would obviously "bear a relation" to the cost of doing this.

Edwin Cannan

Oxford, England

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

A Review of Economic Theory. By EDWIN CANNAN. (London: P. S. King. 1929. Pp. x, 448. 16s.)

As its title indicates, this work is a review of economic theory, and not a comprehensive history of economic doctrine. Yet the subject matter is the development of the theories of production, value and distribution from (roughly) the time of the Mercantilists down through the writings of Alfred Marshall. From Adam Smith onward the doctrines reviewed are chiefly those of the English classical and neo-classical writers, although the utility school and certain American authors are briefly considered. In his earlier work, *A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848*, Professor Cannan has written an elaborate criticism of the doctrines of the classical economists concerning two phases of theory. The present work is to some extent a repetition, but not markedly so, for in the *Review* he covers a longer historical period and his objective is different in that here he attempts to show what remains that is today tenable from the central core of the writings of his predecessors and to give his own positive position.

His method, which is historical and comparative, is one familiar to all teachers of advanced classes in economic theory; and the reader scarcely needs to be told that the present work is largely based on lectures delivered for many years at the London School of Economics. It has the merits and the defects of lectures: it is compact, it moves swiftly, and positions are boldly taken; but it raises problems which are not always discussed exhaustively, and it seldom attempts complicated analysis.

Professor Cannan is decidedly critical of several of the central theories of the orthodox classical school, as all readers of his earlier works are aware. A majority will probably agree with him in thinking that the theory of population adhered to by Malthus and his closer followers is simply not in accord with facts, that the capital and income theories down to 1870 were badly tangled, and that the doctrine of real costs as applied to the value problem will not bear examination. They will be less likely to follow him in his strictures on the abstinence theory of interest and on the Ricardian theory of rent. The bases of his criticisms are usually either that the theories are not in accord with obvious fact or that the theorists were seeking to treat economic problems as problems of equilibrium when they should have treated them as problems of development and growth. At any rate, this is the way it appears to

the present reviewer. On the other hand, the fundamental assumptions of orthodox economics—the economic motive, rationality, and free competition—seem scarcely to be questioned.

The population question is one that has concerned economists from the beginning of theorizing; and it should be instructive to see how a reviewer of economic theory deals with it. In the first place, Professor Cannan holds that there has been no necessary tendency for per capita production to decline as numbers increase, owing to the application of scientific research and the use of machinery in agriculture and to the gains of coöperation in agriculture and other lines. He admits, of course, that in any given state of the arts there is an optimum population which would produce the maximum product. But J. S. Mill is held to have made a "prodigious blunder" when he said that it would have been better if the population had been more restrained and the same improvements had taken place, because the very growth of population affects both the growth of improvements and the accumulation of capital. History shows that the productivity of the population has increased more rapidly than its numbers, at least in the western world.

But what about the future? The answer has already been suggested. The problem of total numbers relative to the means of production will probably adjust itself; and, even if it does not do so automatically through birth control and invention, we know so little about the mechanism of control and about future optima that we can do nothing about it through state action. Backward sections of the world population may increase rapidly when at first better methods of infant care and better methods of production spread to them; but eventually the knowledge of the means of preventing conception will also spread to them and the increase will be checked. On the other hand, there is scant danger of under-population, because as children become scarcer they will "come to possess greater marginal utility" (p. 88), their earnings will increase, and governments may step in and offer bribes for larger families through some form of family endowment.

To these comfortable conclusions, which seem to be based on historical findings but which revive memories of the ancient concept of a beneficent natural order, there appear to the present reviewer to be several fairly patent objections. One is that the knowledge of the techniques of birth control are not solely the cause of the declining birth rates of the western world. The decline has been the result as well of certain economic and cultural conditions which may not be operative in other sections of the world. Another is that there is no certainty that the tendency to control population may not set in in these sections after population has increased to undesirable proportions.

In the chapter on the theory of value in general a good deal of time

is spent on the criticisms of the real cost (especially the labor cost) explanation of value. Even Professor Cannan's vigorous criticism fails to arouse our interest in this doctrine. But, of course, it is desirable that students who expect to become economists should become acquainted with the sins of their ancestors. Several minor objections are raised against Marshall's demand and supply theory of value, which leave the central structure of the famous fifth book of the *Principles* intact. Professor Cannan's own doctrine is not greatly at variance with a theory of value based on the utility explanation of demand and supply traced back to productivity. He would add, however, that it is better to take the value structure for granted as the result of natural forces and try to explain *changes in values* as they occur from time to time, giving principal attention to the effects of inventions, discoveries and the growth of population. Probably because of lack of space, he gives no concrete examples of the procedure.

Chapters on the relation of income and capital values and on distribution follow the lines laid down in the author's *Theories of Production and Distribution* for criticism and *Wealth* for the positive positions. There is an excellent discussion of quasi-rent and the difficulties into which Marshall was led by this doctrine.

This book is a useful addition to the literature of economic criticism. It is brief and interestingly written and has the merit of meeting the classical and neo-classical writers on their own assumptions while at the same time it presents a somewhat different point of view—that of the historical economist. It is not meant to give the reader an extended statement of the author's own theories. For that he should refer to the earlier work, *Wealth: A Brief Explanation of the Causes of Economic Welfare.*

F. B. Garver

University of Minnesota

Wages. By Maurice Dobb. Cambridge Economic Handbooks, VI. (New York: Harcourt Brace. London: Nisbet. 1929. Pp. ix, 169. $1.25.)

This is another book in the series of Cambridge Economic Handbooks published under the editorship of John Maynard Keynes. "This series," says Keynes in an introductory note, "is not directed toward making original contributions to economic science. Its object is to expound its elements in a lucid, accurate, and illuminating way, so that the number of those who think for themselves may be increased." There are eight chapters: "The wage-system," "Wages and the standard of life," "The payment of wages," "Theories of wages," " Wages and bargaining pow-

er," "Wage differences," "Trade unionism and wages," and "The minimum wage." With the exception to be noted presently, these chapters are well done. The many topics that one should expect to find are discussed. The analysis is keen, and a great deal of very interesting illustrative material—historical and current, industrial and legislative—is given from the experience in England. Experience in the United States and in the British dominions is also drawn upon.

In the review of the various wage theories, exception may be taken to the presentation of the marginal net product theory. It is insisted that the theory falls short of a complete theory because the net product of labor depends upon "a complicated set of factors" such as the natural resources of the country, the attitude of capitalists, the state of the arts, and the supply of labor. The answer to this is—"Of course." Those who have presented this theory can hardly have thought of its operating in an economic vacuum. But by implication, at least, too much may have been claimed for the productivity theory thus justifying the strictures noted here. The theory is only one aspect of the general principle of competitive pricing.

Despite the disclaimer relative to original contributions, it is to be regretted that certain questions which are in the air relative to wages were not considered. To what extent are laborers employers of labor? Will an increase in wages foster an increase in real wages? Does the economic machinery get balled up because of a lack of buying power? If so, would an increase in wages lead to production that would not otherwise be forthcoming? That is, would idleness in plant and unemployment in labor be prevented at certain times by an increase in wages? And especially, what of unemployment in England? One might have expected that a book on wages by an Englishman would not fail to consider this appalling pathological condition in England's economic life.

To present some of the above questions in another form: What of the distribution of wealth in regard to wages? Is the whole story that of the classical theorists, which is repeated here? Does the demand for labor depend on the ability of the rich to save and on their inclination to "invest" rather than to "spend?" Is the consuming power of labor of no significance in furnishing demand for labor? Perhaps economic speculation cannot carry the discussion of these questions beyond the point reached a half century or more ago; but it would seem that an author who writes a book in the hope that "the number of those who think for themselves may be increased" would feel compelled to bite into these questions.

H. G. Hayes

Ohio State University

NEW BOOKS

Abel, T. F. *Systematic sociology in Germany: a critical analysis of some attempts to establish sociology as an independent science.* Studies in hist., econ. and public law, no. 310. (New York: Columbia Univ. Press. London: P. S. King. 1929. Pp. 169.)

Back, J. *Die Entwicklung der reinen Okonomie zur nationalökonomischen Wesenswissenschaft.* (Jena: Fischer. 1929. Pp. viii, 244. Rmk. 11.50.)

Black, J. D. and Black, A.G. *Production organization.* (New York: Holt. 1929. Pp. xi, 646. $3.75.)

Böhm-Bawerk, E. von. *Théorie positive du capital.* (Paris: Marcel Giard. 1929. Pp. xxvii, 496. 70fr.)

Borchers, H. *Das Abstraktionsproblem bei David Ricardo.* Untersuchungen zur theoretischen Nationalökonomie, Heft 5. (Jena: Fischer. 1929. Rmk. $4.50.)

Braun, M. S. *Theorie der staatlichen Wirtschaftspolitik.* (Leipzig and Vienna: Franz Deuticke. 1929. Pp. ix, 234. M.10.)

Carey, R. L. *Daniel Webster as an economist.* Studies in hist., econ. and public law, no. 313. (New York: Columbia Univ. Press. London: P. S. King. 1929. Pp. 220. $3.50.)

It has long been the custom to regard Webster, the expounder of the Constitution, as a great public teacher on all matters relating to government, especially to our own; Dr. Carey presents him in this volume as "a distinguished economist in the sense that he thoroughly understood economic questions and profoundly influenced the development of economic thought and institutions in the United States." It is not claimed for Webster that he contributed anything of significance to the body of economic theory, but only that through his luminous discussions of many public questions of an economic nature he influenced the economic thinking of great numbers of people. While affecting to believe that the writings of the economists were made up mainly of "pure truisms" and "doubtful propositions," Webster, nevertheless, made frequent, generous, and effective use of their teachings. Dr. Carey has been able to find, mainly in the speeches, a large enough body of doctrine to disclose the great orator's philosophy of wealth and property, his views on certain aspects of production and of distribution and, far more fully, on money, banking and public finance. In none of these fields, however, is it possible, with all Dr. Carey's diligence and skill, to piece together a systematic and consistent treatment. That could hardly be expected of a man of Webster's type of mind and interests. He was not concerned with theories, as such, but with practical issues, and should be judged not as an economist but as a practical man of affairs. Only so can he be relieved from severe criticism on account of inadequacy, incompleteness, and frequent conflict of theories, and the more severe criticism of inconsistency between theory and practice.

Dr. Carey takes this point of view and thinks it not just "to accuse Webster of inconsistency or of completely forsaking cherished principles" relating to the tariff. He seems to find some comfort in the fact that Webster "remained devoted to free trade all his life," though during most of his official life speaking and voting for protection, "on the simple grounds of expediency." But why would it not be a better defense of Webster's

shift of position on the tariff to say that he was acting as the "representative" of a region, or the dominant element in it; that he consistently represented that element which down to 1824 was commercial, by 1828 was becoming manufacturing and soon became definitely so; and that his shift of position was in accord with the change in the dominant interest of his state? This may not be assigning any great rôle to the representative, such, for example as that assumed by Burke in his address to the electors of Bristol; but it accords well with a very prevalent practice in American politics and, it would perhaps be just to say, with the prevalent theory of American representation.

G. O. Virtue

Carver, T. N. and Adams, G. M. *Our economic life: a general social science.* (Chicago and Philadelphia: Winston. 1929. Pp. x, 373.)

Dawson, C. A. and Gettys, W. E. *An introduction to sociology.* (New York: Ronald. 1929. Pp. vi, 866. $4.50.)

This book by Professors Dawson of McGill and Gettys of Texas is undoubtedly a valuable addition to the available sociology texts. Though called an introduction, it is a rather extended statement of fundamental sociological principles. A feature of the book is the emphasis and detailed treatment given to the ecological processes involved in the patterns of distribution of human beings and social institutions. The authors use a large amount of case material, that is, concretely described social situations; and the serviceability of their book is increased thereby. Most of these examples describe phases of urban life, and many of them relate to economic activities.

Maurice G. Smith

Diehl, K. and Mombert, P., editors. *Ausgewählte Lesestücke zum Studium der politischen Okonomie.* (Jena: Fischer. 1929.)

Epstein, R. C. *Supplementary readings in economics.* (New York: Scribner's. 1929. Pp. xi, 455.)

Every textbook written for the elementary course in the principles of economics has its weak and sometimes wholly inadequate chapters. Case books and problem books are not intended to remedy such deficient exposition. The usual collection of collateral readings, intended to be a remedy, fails to be one because it presents a "cut-up" view of the topics treated since it contains an excessive number of short selections from a great variety of sources.

Having thus diagnosed the current situation, Professor Epstein offers a remedy in the form of this volume, consisting of 19 "carefully chosen chapters in standard works" which seem to him "to constitute the clearest, best-rounded, and most penetrating introductory discussions which have been written on certain subjects by modern writers." By limiting the number of selections, it is possible to reprint complete chapters (the readings average 22 pages in length), thus presenting a unified and adequate treatment of each topic not possible in the short extracts to be found in the usual book of readings. This method of presentation is the peculiar contribution of the volume.

The readings are "deliberately orthodox" treatments of their subjects both in theory and style, with the exception of a "less conventionalized"

selection from Mark Sullivan's *The Turn of the Century.* Half the selections are from the textbooks in principles of economics of Taylor, Adams, Taussig, Carver, Bye, Johnson, and Ely; the remaining readings are by Dunbar, Kemmerer, Richards, Henry George, Böhm-Bawerk, Bertrand Russell, and three chapters from *Business Cycles and Unemployment.* The selections are arranged under the headings of "The organization of production;" "Value;" "Money, bank credit, and business cycles;" "International trade;" "The distribution of wealth."

That each of these chapters is "the clearest, best-rounded, and most penetrating introductory discussion" of its subject is, of course, a matter of personal opinion. However, there should be general agreement that these qualities are present to a high degree in all the selections. The only instance in which the reviewer would question the author's judgment is in the amount of space devoted to "Money, bank credit, and business cycles" —two-fifths of the volume—which seems somewhat disproportionate.

H. B. Dolbeare

Fisher, I. *Economics and business.* (New York: Macmillan. 1929.)

Fisher, I., and others. *Die Volkswirtschaftslehre der Gegenwart in Selbstdarstellungen.* (Leipzig: Felix Meiner. 1929. Pp. vii, 239. M.12.)

Herzog, G. *Richelieu als merkantilistischer Wirtschaftspolitiker und der Begriff des Staatsmerkantilismus.* Beiträge zur Geschichte der Nationalökonomie, Heft 6. (Jena: Fischer. 1929. Pp. ix, 232. Rmk. 12.)

Lapidus, I. and Ostrovityanov, K. *An outline of political economy: political economy and Soviet economics.* (New York: International Pubs. 1929. Pp. xi, 546. $3.25.)

Ledermann, L. *Pellegrino Rossi, l'homme et l'économiste, 1787-1848: une grande carrière internationale au XIX siècle.* (Paris: Lib. du Recueil Sirey. 1929. Pp. 376.)

Mahr, A. *Untersuchungen zur Zinstheorie.* (Jena: Fischer. 1929. Pp. vi, 122. Rmk. 5.)

Meincke, H. J. *Hypothesen zu einer allgemeinen Relativitätstheorie des abendländischen Sozialprozesses.* (Jena: Fischer. 1929. Rmk. 3.)

Melchinger, E. *Die internationale Preisbildung: eine wirtschaftstheoretische Untersuchung über die Probleme der internationalen Wirtschaftsbeziehungen.* (Tübingen: Mohr. 1929. Pp. iv, 125.)

This is undoubtedly a clever book; but it belongs to that class of studies which renders the reading of current German writings in economic theory often unpleasant and, for foreigners, almost unintelligible. The author tries to clear up the relation of the theory of international trade to the general economic theory. His definition of international trade is somewhat restricted. He implies that it is distinguished from national trade by the fact that there are different units of exchange and standards of value in the trading countries, and that it is the function of the rate of foreign exchanges to link up these monetary systems. Other factors might be added to this.

We may inquire into the causes and effects of the alleged *immobility of capital and labor* as well as into the problems arising out of the fact that *monetary standards* and systems in different countries differ.

In the fourth and fifth chapters, the author deals with some special prob-

lems: the balance of trade and of payments, the purchasing power parity, the relation between commercial policy and the theory of international trade. There is, however, little connection between these short observations and the preceding philosophical discussion.

GOTTFRIED HABERLER

NISBET, J. W. *A case for laissez-faire.* (London: P. S. King. 1929. Pp. vii, 245. 7s. 6d.)

PIGOU, A. C. *The economics of welfare.* 3rd ed. (New York: Macmillan. 1929. Pp. 866. $8.)

————. *The functions of economic analysis.* Sydney Ball lecture, May 27, 1929. (London: Oxford Univ. Press. 1929. Pp. 22. 1s.)

POWELL, A. E. *The flow theory of economics.* (London: P. S. King. 1929. Pp. vii, 97. 5sh.)

The title of this book piques the curiosity. Has the author discovered what differences it would make for economic theory if "supply" and "demand" were regarded consistently as flows through periods of time rather than as funds on hand at particular moments? Has he presented the results of a statistical study showing the variations of stocks of commodities on hand relative to annual production, according to industry, season, and circumstance? Has he straightened out the various meanings of the terms "dynamic" and "static" in such fashion as to promote discriminating use of these terms in the future? The answer to each query is "No."

Mr. Powell believes that incomes of consumers are persistently less than aggregate selling prices of goods and services, and he wants to know why this is so and what can be done about it. The "normal disparity of incomes and prices" is due, he says, to "the profit time-lag," "suspended purchasing power" and "destroyed purchasing power" which more than offset factors working in the opposite direction. The solution involves two policies which must be applied simultaneously: "(1) New purchasing power is, by some device or other of which there are many, to be issued; (2) the top limit of prices is to be at the same time fixed by law." According to Mr. Powell, "it is by no means a difficult matter for committees of experts to examine costs carefully, to allow for a fair margin of profit and to fix prices, if necessary at every stage of production, manufacture and distribution, precisely as was done in many instances during the war period." With respect to the issuance of new purchasing power he says, "we have a magnificent asset or collateral as security . . . . there is a block of prices, that is, goods and services, for which no purchasing power, that is *claims*, exist. . . . . Clearly, no particular person or group of persons could establish any claim to them. If they belong to anyone, they belong to the whole community."

Further quotation is hardly necessary to indicate whether the author has made an academically important analysis of the problems he has attacked.

FRANK R. GARFIELD

ROPKE, W. *Die Theorie der Kapitalbildung.* (Tübingen: Mohr. 1929. Pp. 39.)

SELIGMAN, E. R. A. *Principles of economics, with special reference to American conditions.* 12th ed., rev. (New York: Longmans Green. 1929. Pp. 773. $3.50.)

Shearman, H. P. *Practical economics.* 2nd ed. (New York: McGraw-Hill. 1929. Pp. x, 466. $3.00.)

The first edition of this book was reviewed in the September, 1923, number of this journal (pages 471-2.) This second edition retains the general outline and methods of treatment of the original text. Charts and tables, which were liberally used, have been brought up to date. The chapters on monopoly, banking, and business organization have been rewritten and enlarged. There is new material also on the mechanization of industry, on mass demand creation and on installment selling. The revision is thoroughgoing and advances the text of 1929 to the position held by the first edition in 1922.

C. E. P.

Totomianz, V. *Geschichte der Nationalökonomie und des Sozialismus im Zusammenhang mit der Wirtschaftsgeschichte.* (Berlin: Carl Heymanns.)

Weston, W. J. *A textbook of economics.* (New York and London: Pitman. 1929. Pp. xiii, 450. $3.)

Economic History and Geography

Victorian Working Women: An Historical and Literary Study of Women in British Industries and Professions. By Wanda Fraiken Neff. (New York: Columbia University Press. 1929. Pp. 288. $3.50.)

This book is in part a modern interpretation of well-known facts in regard to the economic and social position of women during the early years of the Victorian era. But in part it is a study of a phenomenon of that period which has never received adequate consideration—the sudden bursting forth of the social problems of the day in song and story. The author's purpose, as she states it, is primarily to build up a complete picture of the working woman in England from 1832 to 1850, and secondarily to discover "the function of *belles-lettres* in handling social questions." But the addition of a chapter on the idle woman, given both for contrast and to show the potential competition which threatened continually the woman already in the labor market, seems to leave wholly out of the picture no significant group of women who emerged from the industrial revolution as a social problem.

The groups covered are textile workers, non-textile workers in factories and workshops, dressmakers, governesses, and idle women. For each group the author describes working and living conditions, education, morals, and measures, both public and private, designed to remedy evils. Finally, she discusses the literary treatment given each group.

The years from 1832 to 1850 were selected for intensive study because during this period the working woman emerged definitely as a social problem presented to a large reading public. But the author does not confine her discussion too rigidly to this period. She looks before and after.

She shows how women were driven to seek gainful employment outside their homes. She shows why, even if their labor conditions had been much less unwholesome, such employment would have constituted to the early Victorian mind a distressing problem because of the prevailing attitude toward women as natural dependents destined for sheltered homes and motherhood. She shows women coming forth into a man-made world of industry with the rights and powers—and the psychology—of children. But she shows also women clinging desperately to the traditional home shorn of its age-long domestic activities. Side by side with the familiar pictures of the woman textile operative and the sewing woman she draws full length portraits of the governess attempting to compromise with a hard fate which has thrown her upon her own resources and of the family supported husband-hunter riding full tilt, with her mother at her back, after the prizes of the marriage market. For each of these types of women she indicates the legal and economic changes that have taken place since the middle of the nineteenth century, and the significant growth of new attitudes and new ideals.

In so far as each source served her purpose the author has drawn her composite pictures from the reports of government investigations and from magazine articles, fiction and poetry, whether contemporary or later. She has evidently made a painstaking search for all the spotlights of publicity in which contemporaries and immediate followers saw English women of this period. Side by side with testimony given by the working women themselves before government commissions, she places descriptions from Dickens, Thackeray, the Brontë sisters, Mrs. Trollope, Kingsley, Disraeli, George Eliot, Harriet Martineau, Mrs. Gaskell and Charlotte Elizabeth Tonna. But there is no chance given to mistake sources. Each statement carries its reference.

The attempt to show the place of literature as a picture of social conditions useful to the historian of industry and as a method of publicity for social reform constitutes the unique and significant feature of the book. But the discussion deals only with a single problem over a period of eighteen years three quarters of a century ago. It can hardly, therefore, be considered as more than a contribution toward a serious study of the use of creative writing to supplement the work of the historian and the social reformer. The author complains that since 1850 even the growing army of women writers has failed, in general, to give adequate expression to the changed attitudes towards women's work; that instead of portraying the great adventure of work itself they have continued to depict the emotional histories of their heroines. "The study of working women in literature," she says, "is completed by the year 1850, and needs at present no postscript." But, if true, why did the novelist and poet suddenly cease to function in this field? Is not emotion of one sort

or another the essential subject matter of poetry and fiction? Could the early Victorians have written as they did if they had not been stimulated by deep emotions about the working woman? What of the literary handling of other aspects of social life and of social reform? What have been the concrete results of the literary handling of social problems? And, most important of all, what of the future possibilities of this method, what of the powers and responsibilities of the creative writers of our own and the next generations? Mrs. Neff has opened up a mine that could be worked further with profit.

HELEN SUMNER WOODBURY

New York City

NEW BOOKS

ALLEN, G. C. *The industrial development of Birmingham and the Black Country, 1860-1927.* (London: Allen & Unwin. 1929. Pp. 479. 25s.)

ANDERSON, B. M. *The financial situation.* Chase Econ. Bull., vol. IX, no. 6. (New York: Chase National Bank. 1929. Pp. 15.)

ANDRÉADÈS, A. *Les effets économiques et sociaux de la guerre en Grèce.* (Paris: Les Presses Universitaires de France. Pp. 322. 35fr.)

ANGELL, J. W. *The recovery of Germany.* (New Haven: Yale Univ. Press. 1929. Pp. xix, 425. $4.)

This book offers an excellent survey of what has been happening in German economic life in the period of rapid change since the war ended, and especially in the years since 1924. The author begins with a summary narrative of the close of the war and the German Revolution, the inflation period and collapse, and the Dawes plan and recovery. His final chapter deals with the Young plan and some forecast as to probable future lines of development. The heart of the book consists in an examination of the various phases of economic life: manufacturing, power, capital, labor, taxation, foreign trade, to see what the main features of development have been, and what the present situation indicates as to the soundness and stability of the German economic structure.

The author is dealing with data and with conditions which are changing almost from month to month; for this reason, it is especially important that he has supplemented a thorough exploitation of the main statistical resources with a good deal of interviewing and personal observation in mine and factory. His pages are liberally sprinkled with figures, many of which, as he states, are estimates or are official figures corrected by his own or somebody's else observations. If this qualification is kept in mind, the figures contribute greatly to a clear summary picture of the situation. Professor Angell has, however, gone beyond mere description, into an analysis of conditions and trends, and an examination of causal factors. Here he is handicapped, of course, by lack of space; but one has the feeling that the explanations are a bit summary, the generalizations unsupported when they seem to need defense. On page 227, for instance, in referring to the cartels, the author makes a statement which at least deserves elaboration: "Although they [the cartels] do lead to far-reaching coöperation between independent enterprises in certain industries, and sometimes even to monopolistic exploitation, in most cases

their real effect upon the general pattern of industrial organization is probably not great."

The explanation for Germany's astonishingly rapid recovery after the collapse of 1923 Professor Angell finds in two chief factors: first the rationalization process which has been carried out in German economic life, and second the importation of foreign funds. Elsewhere he gives generous recognition to the moral resources of the German nation, the human factor, which, it would seem, must be placed alongside the material factors in accounting for the recovery of Germany, within half a dozen years, from the verge of ruin to an economic position comparable with that of her victors. It is unfortunate that so little space could be devoted to agriculture which, by some Germans at least, is considered a problem more grave even than that of reparations.

The book is written throughout from the viewpoint of Germany's present and future capacity to pay what she owes in reparations, and her soundness as a borrower on a large scale of funds which are coming mainly from America. Stress is consequently laid on her powers of production, especially in excess of domestic needs, her capacity to compete in the world's markets, her foreign trade balance, the condition of her currency and finance, and her capacity to accumulate a surplus in a form that can be successfully transferred to her creditor countries. On the basis of these criteria, her position is judged to be fundamentally sound, and Professor Angell's forecast is that, though Germany's path in the future will not be an easy one, "it is a road which climbs steadily upward, and at its end lies the prize of assured national strength and prosperity."

MILDRED HARTSHOUGH

ANSTEY, V. *The economic development of India.* (New York: Longmans Green. 1929. Pp. x, 581. $8.50.)

BLAIR, W. A. *A raft pilot's log: a history of the great rafting industry on the Upper Mississippi, 1840-1915.* (Cleveland: Arthur H. Clark Co. $6.)

COUCH, H. N. *The treasuries of the Greeks and Romans.* (Menasha, Wis.: Banta Pub. Co. 1929. Pp. 111. $2.50.)

DEARLE, N. B. *An economic chronicle of the Great War for Great Britain and Ireland, 1914-1919, with a supplement dealing briefly with the years 1920, 1921 and 1922.* Econ. and soc. hist. of World War, British ser. (New Haven: Yale Univ. Press. London: Humphrey Milford. 1929. Pp. 413. $3.)

DEMARIA, G. *La situazione economica in Italia.* (Milan: Soc. Editrice Vita E. Pensiero. 1929. Pp. 52.)

DYER, F. L., MARTIN, T. C. and MEADOWCROFT, W. H. *Edison: his life and inventions.* Vols. I and II. (New York and London: Harper. 1929.)

FLÜGEL, F. and FAULKNER, H. U. *Readings in the economic and social history of the United States.* (New York: Harper. 1929. Pp. ix, 978. $3.75.)

Unlike Callender's and Bogart and Thompson's collections of readings, this book contains almost nothing on the colonial period and emphasizes developments since the Civil War. The volume is divided into three periods: 1775 to 1820, 1820 through the Civil War, and from the Civil War to the present. Within the periods the material is arranged topically by chapters, each chapter containing a brief introductory summary of the develop-

ments illustrated by the readings. The material selected by Flügel for the two first periods was drawn from a diversity of sources, such as government publications, *Niles' Register* and *Hunt's Merchants' Magazine*, and works on travel, and from special studies, like Bishop's *A History of American Manufactures from 1608 to 1860* and Dewey's *State Banking before the Civil War*. For the recent period Faulkner has relied very largely on government material, especially on the reports of commissions. The appendix contains a bibliography and an interesting outline of the economic history of the United States.

In view of the mass of material which exists on the economic and social history of the United States—descriptive, statistical, analytical, controversial, some good but more bad or indifferent—it must be said that the editors have chosen with careful discrimination. Their selections are not only historically accurate to a high degree but also generally very readable. One might question the wisdom of including, in a book which does not claim to be complete, material on federal treaties and acts which is so conveniently available in MacDonald's *Documentary Source Book of American History*. One might wish, also, for further information on the more obscure features of the structure and functioning of our economic system in the past, as for instance on the corporation and its relation to economic development before the Civil War, on the development of marketing agencies in the recent period, and on certain aspects of banking and finance. Considering the nature of the material available, however, the present volume is surprisingly satisfactory, even on such topics.

The organization of the book is clear and effective. The break at 1820 is a fortunate one. The arrangement is generally logical, and only in one instance—the inclusion of the tariff in the chapter on banking in the middle period—did convenience dictate an especially arbitrary arrangement. Minor details which may be noted are the excellent comments of the editors on the works or authors cited, the lack of uniformity of standard in citations, and the absence of the useful device of running heads to indicate chapters within the book. On the whole the book is very satisfactory, and it should prove helpful to the teacher and student of American economic and social history.

HENRIETTA LARSON

FOSSATI, A. *Origini e sviluppi della carestia del 1816-1817 negli stati sardi di terraferma.* (Turin: Lib. Scientifica Giappichelli. 1929. Pp. xii, 133. L.15.)

GAITSKELL, H. T-N. *Chartism: an introductory essay.* (New York: Longmans. 1929. Pp. 95. 75c.)

GIBSON, K. *The goldsmith of Florence: a book of great craftsmen.* (New York: Macmillan. Pp. 224. $5.)

HECKSCHER, E. F., and others. *Sweden, Norway, Denmark and Iceland in the World War.* Translated and abridged. (New Haven: Yale Univ. Press. 1929. $5.25.)

HEICHELHEIM, F. *Wirtschaftliche Schwankungen der Zeit von Alexander bis Augustus.* Beiträge zur Erforschung der wirtschaftlichen Wechsellagen (Aufschwung, Krise, Stockung) Heft 3. (Jena: Fischer. 1929. Rmk. 7.)

HELANDER, S. *Wie ist der Youngplan erfullbar? Ein Wirtschaftsprogramm.*

(Nurnberg: Verlag der Hochschulbuchhandlung Krische & Co. 1929. Pp. 75. RM. 2.)

Hewitt, H. J. *Mediaeval Cheshire: an economic and social history of Cheshire in the reigns of the three Edwards.* (Manchester: Manchester Univ. Press. 1929. Pp. 212. 21s.)

Hicks, F. C., editor. *High finance in the sixties. Chapters from the early history of the Erie Railway,* by C. F. Adams, Jr., R. Adams, A. Stickney, G. T. Curtis and J. S. Black. (New Haven: Yale Univ. Press. 1929. Pp. 410. $5.)

Kobayashi, U. *Basic industries and social history of Japan.* (New Haven: Yale Univ. Press. 1929. $4.)

Lipson, E. *The economic history of England.* 5th ed. (London: Black. 1929. Pp. viii, 552. $5.)

Love, P. H. *Andrew W. Mellon: the man and his work.* (Baltimore: F. Heath Coggins. $3.50.)

McMurray, D. L. *Coxey's army: a study of the industrial army movement of 1894.* (Boston: Little Brown. Pp. 339. $4.)

Malmin, G. J., translator and editor. *America in the forties: the letters of Ole Munch Raeder.* Norwegian-American Historical Association, travel and description ser., vol. III. (Minneapolis: Univ. of Minnesota Press. 1929. Pp. ix, 244.)

A series of travel letters, written by a lawyer sent by the Norwegian government, in 1847-48. Contains interesting descriptions and comments in regard to social and economic conditions, particularly in those districts where Norwegians settled.

Mottram, R. H. *A history of financial speculation.* (Boston: Little Brown. 1929. Pp. xii, 317. $4.)

Narain, B. *Indian economic life, past and present.* (Lahore: Uttar Chand Kapur & Sons. 1929. Pp. xxiii, 578. Rs. 8.)

Ogburn, W. F. and Jaffe, W. *The economic development of post-war France: a survey of production.* Soc. and econ. studies of post-war France, vol. III. (New York: Columbia Univ. Press. 1929. Pp. xii, 613. $6.)

Oppenheimer, F. *System der Soziologie.* Band IV. *Abriss einer Sozial und Wirtschaftsgeschichte Europas von der Völkerwanderung bis zur Gegenwart.* Part I. *Rom und die Germanen.* (Jena: Fischer. 1929. Pp. xvi, 412. Rmk. 18.)

Petit, L. C. *Histoire des finances extérieures de la France pendant la guerre (1914-1919).* (Paris: Payot. 1929. Pp. 808.)

Phillips, J. D. *The life and times of Richard Derby, merchant of Salem, 1712 to 1783.* (Cambridge: Riverside Press. 1929. Pp. 116.)

Plucknett, T. F. T., editor. *Ames' Foundation: year books of Richard II; 13 Richard II, 1389-1390.* (London: Spottiswoode Ballantyne. 1929. Pp. xix, 205.)

Randall, J. H., Jr. *Our changing civilization: how science and the machine are reconstructing modern life.* (New York: Frederick A. Stokes Co. 1929. Pp. 362.)

To an economist the word "civilization" in a title gives notice of a book which treats of *n* dimensions additional to those of his usual frame of reference. A "changing" civilization implies the substitution of variables for constants, and an increase in complexity by many fold.

This book bears out the promise of its title. Starting with prehistoric man, it touches on all human interests and activities and their interplay, to arrive at a summary of the present and a prospect of the future. The first third, roughly, sketches the development to the coming of capitalism; the second third covers the nineteenth century; the last third treats of the advance of science and the relation of the city and the laboratory to religious faith, art and the moral life.

This bare summary of the contents of the book will, to many, seem a sufficient warning to avoid it. The reviewer's advice to all is to read it, and to decide then if it is not worth while to return to study it. It is an extraordinary piece of work, compact with sound thought. If a college education is worth while then this book is worth the attention of graduates, for it is an admirable up-to-date synthesis of a whole college course. If the economist, on putting it down, feels that he has not spent his time profitably over it, the reviewer would guess that he belongs to the class which needs it most.

CLIVE DAY

SALIN, E. *Das Reparationsproblem.* Teil I. *Verhandlungen und Gutachten der Konferenz von Pyrmont.* Teil II. *Verhandlungen und Gutachten der Konferenz von Berlin.* (Berlin: Reimar Hobbing. 1929. Pp. xxiv, 477; xx, 558.)

SAMUEL, M. *What happened in Palestine: the events of August, 1929, their background and their significance.* (Boston: Stratford. 1929. Pp. 22. $2.)

SAPPER, K. *Allgemeine Wirtschafts und Verkehrsgeographie.* (Leipzig and Berlin: Teubner. RM. 18.)

SCHEIFLEY, W. H. *Aspects of European economics and reconstruction.* (Los Angeles: Wetzel Pub. Co. 1929. Pp. 310. $4.)

SCRIVEN, G. P. *The story of the Hudson's Bay Company, otherwise of the company of adventurers of England trading into Hudson's Bay.* Benedictine hist. mon. no. 4. (Washington: St. Anselm's Priory. 1929. Pp. 66. $1.)

SÉE, H. *Esquisse d'une histoire économique et sociale de la France depuis les origines jusqu'à la guerre mondiale.* (Paris: Alcan. 50 fr.)

SÉE, H. E. *The economic interpretation of history.* Translated by M. M. KNIGHT. (New York: Adelphi. 1929. Pp. 154. $3.)

SOMARY, F. *Wandlungen der Weltwirtschaft seit dem Kriege.* (Tübingen: Mohr. 1929. Pp. 202. M. 10.)

SOMBART, W. *Der moderne Kapitalismus: Historisch-systematische Darstelling des gesamteuropäischen Wirtschaftslebens von seinen Anfängen bis zur Gegenwart.* Band I. *Die vorkapitalistische Wirtschaft.* Band II. *Zeitalter des Frühkapitalismus.* Band III. *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus.* New ed. (Munich: Duncker & Humblot. Pp. 952; 1252; 1096. M. 34.)

SOUDEK, J. *Die sozialen Auswirkungen der Konjunkturschwankungen.* (Bonn: Kurt Schroeder. 1929. Pp. 76.)

STAMP, L. D. *Asia: an economic and regional geography.* (New York: Dutton. Pp. 636. $8.)

STERNBERG, F. *Der Imperialismus und seine Kritiker.* (Berlin: Soziologische Verlagsanstalt. 1929. Pp. 231. M. 17.)

SUMMERS, L. P. *Annals of Southwest Virginia, 1769-1800.* (Abingdon, Va.: Author. Pp. 1768. $8.)

TICKNER, F. W. *A social and industrial history of England.* 2nd ed., rev. (New York: Longmans Green. 1929. Pp. 735. $2.75.)

USHER, A. P. *A history of mechanical inventions.* (New York: McGraw-Hill. 1929. Pp. xi, 401. $5.)

Professor Usher has put into compact form a mass of material which was too scattered before. Much of it was in highly specialized treatises, and a great part was in foreign languages. Professor Usher has given all of this patient review and restatement, and has prefaced the whole with three chapters on "The place of technology in economic history," "The process of mechanical invention," and "Pure and applied mechanical sciences."

In reading this work, one feels that the author has been charitable when he continues to assign a very important place in human history to the statesman, warrior, and priest. It is true, as Professor Usher points out, that the progress of invention is an accretion rather than an intermittent occurrence of brilliant accomplishments, and yet the changes in human life which have come with a different disposition of a lever or a new arrangement of gears go far to obscure the resolutions of legislators and the prayers of the clergy. Watt's principle of the separate condenser has of course made our modern world, and has assigned to all else the rôle of mere exponent. If one is impressed by the importance of emotional forces in society, he will find this a terrifying recital.

The present reviewer has found the chapters dealing with clocks and watches, and inventions in the textile industries of special interest and value, though a wide range of subjects is covered in the book.

BROADUS MITCHELL

VACCARI, P. and FERRI, C. E., editors. *Annuario di politica estera.* (Pavia: R. Università di Pavia. 1929. Pp. 184.)

VIGNOLS, L. *La mise en valeur du Canada à l'époque française d'après la thèse de Mr. P. E. Renaud.* (Paris: Marcel Rivière. 1929. Pp. 76.)

WALLACE, J. N. *The wintering partners on Peace River.* (Ottawa: Thorburn and Abbott. 1929. Pp. 139.)

A detailed account of the fur trade on Peace River prior to 1821 with exhaustive descriptions of movements of traders and the location of posts.

H. A. I.

WARSHAW, R. I. *The story of Wall Street.* (New York: Greenberg. 1929. Pp. 362. $5.)

Budapest székesföváros statisztikai és közigazgatási évkönyve. Vol. XVII. (Budapest: Kommunal-Statistisches Amt. 1929. Pp. viii*, 476*, xv, 1035. Pgö. 30.)

Canada 1930: a handbook of present conditions and recent progress in the Dominion. (Ottawa: H. M. Stationery Office. 1930. Pp. vii, 181.)

Credit position of Denmark. Bull. no. 29. (New York: Institute of International Finance. 1929. Pp. 30.)

Credit position of the Irish Free State. Bull no. 30. (New York: Institute of International Finance. 1929. Pp. 31.)

The Kelsey papers. (Ottawa: F. A. Acland. 1929. Pp. lxxxi, 128.)

A carefully edited volume of documents relating to Henry Kelsey in

the Dobbs Collection of the Public Record Office, Belfast. The introduction, although containing much valuable information, is not final and complete.

H. A. I.

The laws and liberties of Massachusetts. Reprinted from the copy of the 1648 edition in the Henry E. Huntington Library, with an introduction by Max Farrand. (Cambridge: Harvard Univ. Press. 1929. Pp. ix, 59. $5.)

Comune di Milano: annuario storico-statistico, 1924 e 1925. (Milan: Stab. Tip. Stucchi Ceretti. Pp. ccxlix, 722.)

A picture of world economic conditions in the summer of 1929. (New York: National Industrial Conference Board. 1929. Pp. xi, 309. $2.50.)

Based upon material furnished by eminent men of business and professional activity in foreign countries.

The Sino-Russian crisis: the actual facts brought to light. (Nanking, China: International Relations Committee. Pp. 105.)

Statistical abstract of Peru, 1928. (Lima: Dept. of Treasury and Commerce. 1929. Pp. xiii, 224. Gratis.)

Agriculture, Mining, Forestry, and Fisheries

Economic Resources and Industries of the World. By Isaac Lippincott. (New York: Appleton. 1929. Pp. xxii, 656. $5.00.)

This is not a book but an encyclopedia. Within the space of some 632 pages, the author attempts to give not only a picture of the resources of the world—the foundation and mainspring of modern economic existence—but also to describe the instrumentalities by which foreign trade is carried on and the institutions, organizations, and economic policies of the different countries—tariffs, cartels, combines—which stimulate and facilitate foreign trade and investments. The list of resources described is truly formidable. It embraces iron, coal, petroleum and natural gas, copper, lead and zinc, precious metals and precious stones, building stones, cereals, fruits, vegetables, livestock, coffee, tea and cocoa, sugar, industrial fibers, vegetable oils, rubber, spices, drugs, and forests.

Europe is not lacking in publications of this character. They are usually, however, the collective effort of several people, specialists in their respective fields. To attempt to cover such a wide field presupposes on the part of the author either an encyclopedic knowledge or over-confidence in one's own ability. Since the author, of course, cannot be intimately familiar with every resource he describes, such work naturally becomes a compilation. Its reliability depends upon the sources which were readily available and quickly and easily digestible by him.

To review a book of this character is like reviewing an encyclopedia. No reviewer, unless he is an omniscient god, an editor, or a Dr. Samuel

Johnson, can be expected to know enough to evaluate all its parts. Criticism or appraisal must of necessity be limited to generalities and to uncovering the main tendencies of the work as a whole, and to a few particular subjects which he, in his limited experience, may be qualified to judge more or less competently.

The greatest usefulness of the book seems to lie in serving as a textbook or as auxiliary reading material in a course on economic geography. Each chapter is followed by a review of its contents in the form of quizzes, which make the book well adapted for school use.

In a supposedly inclusive survey of economic resources, which devotes three pages to the banana crop and a page to yerba maté, an herb used in place of tea in South American countries, the water power resources are conspicuous by their absence. Water power, or as it is often called "white coal," is becoming as important as black coal. In the economic development of Italy or Sweden, for instance, which do not possess coal deposits, water power is taking the place of black coal as a source of energy. The economic supremacy of an industrial nation depends today almost as much on the abundance of water power as on coal deposits. Yet, the book omits this important natural resource entirely.

It is only natural that, in an attempt to cover a very wide field, the author could not critically examine all the original sources of information but had to depend on the say-so of some other compiler and, therefore, become vulnerable on several fronts. The forest resources, which come at the foot of the long list, are described very fragmentarily; and the most significant facts are not sufficiently emphasized.

To the forest resources of Europe, for instance, including Norway and Sweden, are devoted only two and one-half pages. Hardly any mention is made of the forest wealth of Finland and northeastern European Russia which are playing and are destined to play even a greater rôle in the future, in supplying the needs of the world with coniferous timber such as pine and spruce. The forest resources of China, which are extremely meager, are discussed at greater length than those of Central America, which are extremely rich. The use of hectares in the case of one country and acres in the case of another makes a comparison of the forest wealth of different countries difficult.

It is, of course, easy to pick minor flaws in a book of such tremendous scope. On the whole, the book gives a fairly good bird's-eye view of the economic resources of the world and their distribution among certain countries of the old and new world. With all its minor flaws, the work is a useful contribution to our knowledge of the material world in which we live.

RAPHAEL ZON

Lake States Forest Experiment Station

NEW BOOKS

BEHENNA, V. M. and PALMER, F. M., compilers. *Foreign trade of United States in agricultural products.* (Washington: Supt. Docs. 1929. Pp. 25. 5c.)

BRIDGES, A. and LEE, J. R. *Sugar beet costs and returns for the year 1927-28.* (Oxford, England: Agric. Economics Research Institute. 1929. Pp. 48. 1s.)

COMISH, N. H. *Coöperative marketing of agricultural products.* (New York and London: Appleton. 1929. Pp. xxii, 479. $3.50.)

COOK, O. F. *One-variety cotton communities.* Agric. bull. 1111. (Washington: Supt. Docs. 1929. Pp. 51. 10c.)

GETMAN, A. K. *Future farmers in action.* (New York: Wiley. 1929. Pp. 115. $1.50.)

GILE, B. M. *The status of coöperative cotton marketing in Arkansas.* Bull. no. 245. (Fayetteville: Univ. of Arkansas Agric. Experiment Station. 1929. Pp. 44.)

GILE, B. M. and BLACK, J. D. *The agricultural credit situation in Minnesota.* Technical bull. 55. (St. Paul: Univ. of Minnesota Agric. Experiment Station. 1928. Pp. 98.)

HARLAN, H. V., and others. *Yields of barley in the United States and Canada, 1922-1926.* U. S. Dept. of Agric. technical bull. no. 96. (Washington: Supt. Docs. 1929. Pp. 84. 15c.)

HOBSON, A. *Agricultural survey of Europe: Switzerland.* U. S. Dept. of Agric. technical bull. no. 101. (Washington: Supt. Docs. 1929. Pp. 64. 15c.)

JENNINGS, R. D. and CROSBY, M. A. *An economic study of livestock possibilities in the southeastern coastal plain.* U. S. Dept. of Agric. technical bull. no. 127. (Washington: Supt. Docs. 1929. Pp. 96. 20c.)

KELSEY, R. W. *Farm relief and its antecedents.* Handbooks of citizenship; topical supplements to textbooks of American hist. and govt., no. 2. 2nd ed., rev. (Philadelphia: McKinley Pub. Co. 1929. Pp. 32.)

KILLOUGH, H. B. and KILLOUGH, L. W. *Raw materials of industrialism.* (New York: Crowell. 1929. Pp. xix, 407. $3.75.)

In defining the scope of their subject, the authors urge that factors other than physical resources are the raw materials of industry. They would include the human element and industrial organization with all that these imply. Moreover, the task of keeping raw products flowing into the factories of the world is not alone a matter of effort on the part of farmers, miners and lumbermen, but of scientists of all descriptions, including engineers, economists, geologists, and sometimes historians and political scientists. For better or worse, practically every kind of thought and enterprise is required for the services of production.

The plan of the authors is to present the historical aspect of their subject in an introductory chapter and to introduce a six-fold division of the subject of raw materials, including food supply, textiles, forest products, metals, fuel and power, and minor commodities. The last section of the volume contains a discussion of the influence of the quest of raw materials on international commercial policies. Here, one finds a treatment of such topics as economic penetration, free trade and protection in relation to the commerce in raw materials, the theory of dumping as applied to raw products, and governmental control of raw materials. The authors give

considerable space to a study of monopoly, or attempted monopoly, in such products as coffee, sisal, nitrates, potash and camphor.

With respect to international control, their point of view is that many of the largest industries of the United States do not need protection, a position with which the reviewer can agree if emphasis is laid on "largest producers," and if it assumed that the cost of production is low in such manufactures compared with industries which have not grown to great proportions. The latter, which operate in the higher ranges of cost, would suffer if material reduction were made in the tariff.

The authors look with favor on neo-imperialism. They define imperialism as the "policy or practice whereby a nation or a people gains and exercises political or economic control over foreign territory and foreign people." While this policy is almost as old as history itself, the new industrialism has emphasized the importance of economic imperialism. Thus the quest for new markets goes hand in hand with industrial development, and the search for raw materials follows closely in the train of economic growth, and economic penetration becomes a necessary policy, at least, as long as the ideals of industrialism prevail; for only by penetration can new markets be secured and distant raw materials be controlled with certainty.

I. Lippincott

McMillen, W. *Too many farmers: the story of what is here and ahead in agriculture.* (New York: W. Morrow & Co. 1929. Pp. xi, 340.)

Manny, T. B. *Problems in coöperation and experiences of farmers in marketing potatoes.* U. S. Dept. of Agric. circ. no. 87. (Washington: Supt. Docs. 1929. Pp. 24.)

Mauldon, F. R. E. *The economics of Australian coal.* (Melbourne: Melbourne Univ. Press in assoc. with Macmillan. 1929. Pp. xvi, 280. 10s. 6d.)

Metzger, H. and Price, H. B. *Economic aspects of local elevator organization.* Bull. 251. (St. Paul: Univ. of Minnesota Agric. Experiment Station. 1929. Pp. 55.)

Michael, L. G. *Agricultural survey of Europe: the Danube Basin.* Part 2. *Rumania, Bulgaria, and Yugoslavia.* U. S. Dept. of Agric. technical bull. no. 126. (Washington: Supt. Docs. 1929. Pp. 186. 30c.)

Moreland, W. H. *The agrarian system of Moslem India.* (Cambridge: W. Heffer. Pp. 296. 15s.)

Nicolson, J. *The revolving fund of the Federal Farm Board: a fund in aid of farming by loans and advances to proper organizations maintained by farmers, authorized by the Agricultural Marketing act, 1929.* (Walton, N.Y.: Reporter Co. 1929. Pp. iii, 31.)

Osgood, E. S. *The day of the cattleman.* (Minneapolis: Univ. of Minnesota Press. 1929. Pp. x, 283.)

Park, J. W. *Market supplies and prices of apples.* U. S. Dept of Agric., circ. no. 91. (Washington: Supt. Docs. 1929. Pp. 92. 15c.)

Pitt, D. T., compiler. *Statistical handbook of New Jersey agriculture.* (Trenton: MacCrellish & Quigley.)

Reichwein, A. *Die Rohstoffwirtschaft der Erde.* (Jena: Fischer. 1928. Pp. xi, 639. Rmk. 26.)

Rocheleau, W. F. *Minerals.* Rev. ed. (Chicago: Flanagan. 1929. Pp. 212. 76c.)

ROUSH, G. A., editor. *The mineral industry: its statistics, technology and trade during 1928.* Vol. XXXVII. (New York and London: McGraw-Hill. 1929. Pp. xvi, 802.)

SCANLAN, J. J. and TINLEY, J. M. *Business analysis of the Tobacco Growers' Coöperative Association.* U. S. Dept. of Agric. circ. no. 100. (Washington: Supt. Docs. 1929. Pp. 152.)

WALWORTH, G. *Agriculture: industry's poor relation.* (London: Ernest Benn. 6d.)

WYER, S. S. *Fundamentals of our coal problem, including salient features of U. S. Coal Commission's report.* (Columbus: Fuel-Power-Transportation Educational Foundation, 1116 Beggs Bldg. 1929. Pp. 39.)

ZIMMERMAN, H. J., editor. *Cotton production in United States, crop of 1928.* (Washington: Supt. Docs. 1929. Pp. 40. 10c.)

Agricultural and pastoral production of the Dominion of New Zealand for the season 1928-29: statistical report. (Wellington: Census and Statistics Office. 1929. Pp. xv, 53. 2s. 6d.)

Condition of farmers in a white-farmer area of cotton piedmont, 1924-1926. Agric. Dept. circ. 78. (Washington: Supt. Docs. 1929. Pp. 48. 10c.)

Federal Oil Conservation Board: report to the President of the United States. Part 1, September, 1926. Part 2, January, 1928, Part 3, February, 1929. (Washington: Supt. Docs. Pp. 25, 40, 218. 10c., 10c., 30c.)

The rural community. Papers and proceedings of the twenty-third annual meeting of the American Sociological Society, held at Chicago, December 26-29, 1928. (Chicago: Univ. of Chicago Press. 1929. Pp. viii, 416.)

Manufacturing Industries

NEW BOOKS

BEZANSON, A. and GRAY, R. *Trends in foundry production in the Philadelphia area.* Wharton School of Finance and Commerce research studies III. (Philadelphia: Univ. of Pennsylvania Press. 1929. Pp. xvi, 77. $1.50.)

This is an intensive study of the strictly business aspects of the foundry industry in and around Philadelphia for the period 1926-1929. To business men who may be directly concerned with the foundry industry itself the report is, of course, extremely valuable; but, in addition, as a type of industrial study, it should be of great interest to students of economics.

On the basis of the statistical data obtained, the following important conclusions are definitely established by the authors:

(1) There is a slight tendency for large gray iron foundries to gain at the expense of small ones;

(2) On the other hand, independent jobbing foundries have more than held their own in competition with foundries affiliated with manufacturing companies;

(3) Gray iron foundry production seems to be more sensitive to business changes than pig iron output;

(4) Prices of gray iron have shown a declining tendency throughout the period 1926-29;

(5) There is a large amount of excess capacity in the foundry in-

dustry—in no single month in the entire period did production exceed 60 per cent of capacity while at times it fell to nearly 30 per cent;

(6) The above conclusions with reference to gray iron foundries are substantially true of steel foundries also.

The report discloses something of the chaotic condition existing in the foundry industry. The faulty basis of the whole pricing system used by foundrymen is revealed; specifically, prices based on weight of metal do not adequately reflect costs, and therefore lead to unsound competition. The suggestion is made that man-hours of labor, rather than weight of metal, might be a more accurate measure of cost of production. It is to be regretted that the authors did not obtain data on man-hours, so that a more conclusive answer could have been made on this point.

Furthermore, such data would have made possible some analysis of productivity, which would seem to be an important element in the whole situation. The authors note evidence of increased productivity in the industry in recent years, but they have made no attempt to explore this phase of the problem. Growth of output per man-hour is in itself a matter of great theoretical and practical importance; when, in addition, man-hour data could be made to serve other useful purposes, it would seem that, in failing to collect such data, the foundry industry has been missing a good opportunity.

The problem of excess capacity has been carefully surveyed by the authors. After rejecting as unsatisfactory all the more standardized formulas for measuring capacity, they were compelled to adopt an unstandardized measure—the maximum amount of good castings which, in the opinion of the foundryman, a given foundry could produce in normal working time for a month with an average run of work such as ordinarily produced in the shop. Conservatism was the watchword in making these estimates, and yet the results show that for 33 gray iron foundries the ratio of production to capacity in the prosperous year 1926 was barely 50 per cent, while in the poor years 1927 and 1928 the ratio was only 42 per cent. The extremely specialized nature of much foundry work is a potent factor in producing this condition of over-equipment.

Throughout the book the authors have held themselves to a high standard of workmanship. They are extremely cautious in drawing conclusions, and have not hesitated to refuse to make generalizations when the data seem inconclusive.

EWAN CLAGUE

FONG, H. D. *Tientsin carpet industry.* Industry ser. bull. no. 1. (Tientsin: Nankai University Committee on Soc. and Econ. Research. 1929. Pp. 77.)

HAYES, E. P. and HEATH, C. *History of the Dennison Manufacturing Company.* Reprinted from the *Journal of Economic and Business History,* vol. I, August, 1929, and vol. II, November, 1929. (Cambridge: Harvard Univ. Press. 1929. Pp. 467-502, 163-202.)

History dates back to 1844. Of special interest to the general reader are the pages (175-178) on the reorganization by industrial partnership and on methods of minimizing irregular employment (p. 183).

WYER, S. S. *Power possibilities at Muscle Shoals.* Reprint of paper presented at annual convention of American Institute of Electrical Engineers,

Saratoga Springs, New York, June 22-26, 1925. (Columbus: Fuel-Power-Transportation Educational Foundation. 1929. Pp. 23. Gratis.)

WYER, S. S. *Study of electric light and power service.* (Columbus: Fuel-Power-Transportation Educational Foundation. 1929. Pp. 64. Gratis.)

Central electric stations in Canada: census of industry, 1927. (Ottawa: H. M. Stationery Office. 1929. Pp. 59. 25c.)

Transportation and Communication

NEW BOOKS

ALLDREDGE, J. H. *Rate-making for common carriers.* (Atlanta: Harrison Co. 1929. Pp. xix, 201.)

BLACK, A. *Transport aviation.* 2nd ed., enl. (New York: Simmons-Boardman. 1929. Pp. 354. $5.)

BOWEN, F. C. *History of the Canadian Pacific line.* (London: Sampson Low, Marston & Co. 1929. Pp. 205.)

A useful account of the growth of the Canadian Pacific ocean services with reference to the Allan line and other predecessors.

BRADY, H. G. *A transportation glossary for students: terms and phrases in common usage in air highway, railroad and ocean transportation and in port traffic.* (New York: Simmons-Boardman. 1929. Pp. 105. $1.75.)

CADBURY, G. and DOBBS, S. P. *Canals and inland waterways (English).* (New York: Pitman. 1929. Pp. 175. $2.25.)

CROSSER, C. A. and GRAY, W. A. *Municipal motor equipment.* Pub. no. 14. (New York: Municipal Administration Service, 261 Broadway. 1929. Pp. 74. 50c.)

EUTSLER, R. B. *Transportation in North Carolina: a study of rate structure and rate adjustment.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1929. Pp. vii, 65.)

FITZGERALD, J. M. *Do we need more inland waterways?* Address before the Associated Traffic Clubs of America, St. Louis, Missouri, October 15, 1929. (New York: Committee on Public Relations of the Eastern Railroads, 143 Liberty St. 1929. Pp. 14.)

HERRING, J. M. *The problem of the weak railroads: their relation to an adequate transportation system.* (Philadelphia: Univ. of Pennsylvania Press. 1929. Pp. 176. $3.)

In considering what is to be done for the many railroads which must be continued in operation but which are not capable of earning enough to sustain them in independent operation, the author deals with the important and complex questions of valuation, recapture of excess earnings and consolidation.

As a result of railroad difficulties after the war, three principles were finally developed: first, that the railroads should be consolidated into groups; second, that the rates should enable the roads as a whole or by groups, when operated economically and efficiently, to earn a fair return upon the value of their property devoted to transportation; and third, that all earnings in excess of this should be divided equally, half to be retained by the companies and the other half to be given to the Interstate Commerce Commission to be used for assisting roads with weak credit.

Consolidation has been largely ineffective thus far, owing to defects

in the law and other causes which are shown. The causes contributing to weak railroads are outlined briefly and the author concludes that while in many cases unifications would be of great importance to weak lines, these consolidations cannot be forced but should take place in the gradual process of development.

Valuation and its bases are analyzed with particular attention to the O'Fallon test case in which the Commission was overruled by the Supreme Court, thus leaving the whole problem unsatisfactory.

The difficulties attending recapture of excess earnings are shown clearly; and, even if recapture were effective, its application does not "strike at the roots of weakness in railroads." The conclusion is that each weak railroad is a particular problem demanding individual treatment.

A work like this, which has been done with care and precision, might profitably have examined other phases also with good effect, such as, the most effective ways of linking the weak with the strong roads; the financial terms under which weak roads should be merged with the strong, in order to be reasonable to both; and, generally, a fuller investigation of the *positive* elements which are essential in order to meet the problem of the weak railroads. An index is also desirable.

W. T. J.

HYPPS, F. T. *Federal regulation of railroad construction and abandonment under the Transportation act of 1920.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1929. Pp. 82.)

KIDD, H. C. *A new era for British railways: a study of the Railways act, 1921, from an American standpoint, with special reference to amalgamation.* (London: Ernest Benn. 1929. Pp. 158. 7s. 6d.)

This work appears at a very appropriate time, when the United States is giving much consideration to the problem of railroad consolidation; for it describes how, at the end of the seven years of government control in Great Britain, the 120 privately owned railways were consolidated into 4 comprehensive systems. Between pre-war laissez-faire and the adoption of nationalization, the government, after two years' study of the railway problem, finally developed its policy and issued an outline of this as a basis of public discussion of the matter. This was regarded unfavorably in most respects by the railways, the commercial interests and labor. But when the government measure was finally brought in as the Railways act, 1921, the changes which had been made in matters of detail made it fairly acceptable to all concerned.

By this Act the grouping of the railways into four systems was to be effected, not later than July 1, 1923, under conditions of private ownership and operation; equipment, accounting and statistics were to be standardized; the interests of labor were generously safeguarded; and a new system of rate making was announced under which the level of rates and fares in the future should, with other sources of revenue, yield with efficient and economical management an annual net revenue equal to that of 1913.

The author analyzes the conditions of rate level and finance which made it desirable to carry out this broad program of vast changes for the railways' welfare. He gives careful consideration to the two most important ideas in this new legislation, namely, amalgamation and standardization. While

these two remedies were advanced to help in the solution of the railways' financial problems, their fundamental purpose was to insure financial stability for the future. In the plan of grouping, competition is preserved, but upon a much more reasonable basis than formerly; the weak roads were united with the strong; and as far as possible railways which had formerly been associated were to be linked together.

A clear description is given of the process by which this revolutionary change in railway conditions was effected, so as to secure by organic union, rather than by holding companies, the desired merging of interests. In the final chapter, the economies secured thus far by the amalgamations are carefully analyzed. Despite the powerful factors militating against the achievement of economies, some substantial results have been secured; but the author holds that the most important results are those which can only accumulate with time.

This work is carefully documented; is thoroughly analytical and yet presented in an orderly and interesting manner. While dealing with a subject of present-day interest, the author has aloofness from and yet familiarity with the problem which gives his exposition and conclusions the impress of truth, discernment and reality.

W. T. J.

Thompson, S., editor. *Railway statistics of the United States of America for the year ended December 31, 1928, compared with the official reports for 1927 and recent statistics of foreign railways.* (Chicago: Bureau of Railway News and Statistics. 1929. Pp. 151.)

Tingley, R. H. *What are the railroads worth? Why current methods of valuation are valueless.* (Chicago: Bureau of Railway News and Statistics. 1929. Pp. 22.)

Todd, J. A. *The shipping world afloat and ashore.* (London: Pitman. 1929. Pp. 292. 7s. 6d.)

Ward, F. B. *The United States Railroad Labor Board and railway labor disputes.* A thesis. (Philadelphia: Univ. of Pennsylvania. 1929. Pp. 92.)

Williams, W. H. *Railroad consolidation.* Address at annual meeting of Associated Traffic Clubs of America, St. Louis, Missouri, October 15, 1929. (St. Louis: Associated Traffic Clubs of America. 1929. Pp. 22.)

Financing a state system of highways. Interscholastic League Bureau bull. no. 2929. (Austin: Univ. of Texas. 1929. Pp. 120. 15c.)

"The O'Fallon case:" list of references, 1924-1929. (Washington: Bureau of Railway Economics. 1929. Pp. 21, mimeographed.)

The railways and economic progress. Misc. ser. no. 50. (Washington: Bureau of Railway Economics. 1929. Pp. 20.)

Statistics of railways in the United States for the year ended December 31, 1928: forty-second annual report. Including also selected data relating to other common carriers subject to the Interstate Commerce act for the year 1928. (Washington: Supt. Docs. 1929. Pp. cvi, 272. $1.40.)

World highway transport: a statistical survey. Brochure no. 70. (Paris: International Chamber of Commerce. 1929. Pp. 58. 25c.)

A yearbook of railroad information: 1929 edition. (New York: Committee on Public Relations of the Eastern Railroads, 143 Liberty St. 1929. Pp. 94.)

Trade, Commerce, and Commercial Crises

NEW BOOKS

Cudmore, S. A. *History of the world's commerce with special reference to Canada.* (Toronto: Pitman. 1929. Pp. xi, 284.)

A valuable textbook for use in commercial high schools.

Hirsch, M. *Zur Theorie des Konjunkturzyklus: ein Beitrag zum dynamischen System.* (Tübingen: Mohr. 1929. Pp. vi, 120. M. 8.)

Jones, C. L., and others. *The United States and the Caribbean.* (Chicago: Univ. of Chicago Press. 1929. Pp. 240. $1.50.)

Megglé, A., director. *Annuaire du commerce international, 1929: l'annuaire bleu.* (Paris: Soc. Franç. d'Editions, 77 Rue des Saints-Pères. 1929. Pp. 1328.)

Partington, J. E. *Railroad purchasing and the business cycle.* (Washington: Brookings Institution. 1929. Pp. 307. $3.)

This book is the result of an investigation made under the auspices of the Brookings Institution. The inquiry was undertaken to determine the relationship, in point of time, between railroad purchases of equipment, including rails, and the business cycle. The period covered is from 1870 to 1926. The statistical and historical material is compiled with painstaking care and subjected to careful analysis. The author concludes that "outstanding changes in the volume of railroad purchasing have tended on the whole to precede the upswings and downswings of business as a whole," a relationship which is especially true for periods of recession. In most instances in which the above generalization did not hold true, the curve of railroad buying went up and down with the curve of general business activity. "In only rare instances do the data show that variations in the volume of railway equipment orders lagged behind the major swings of commercial activity." The tendency for changes in railroad buying to precede changes in general business conditions is not so evident after 1900. The time elapsing between peaks and depressions of railroad buying and the peaks and depressions of the business cycle has varied considerably, but the table given by the author (p. 195) would indicate that the period was most frequently from three months to a year. The author also finds a relationship between railroad purchasing and gross earnings, that is, that the railroads have bought most freely when gross earnings were largest.

The study makes no attempt to show why changes in railroad purchases have tended to precede changes in the business cycle. The author, however, suggests three plausible explanations of this relationship. It may be the natural result of differences in equipment prices in the different stages of the business cycle; it may be due to the foresight of railroad management in planning purchases; or it may be due to the influence of railroad purchases on general business conditions. Unfortunately, the study does not enable us to say which of these explanations is the true one.

D. Philip Locklin

Plaut, T. *Deutsche Handelspolitik: eine Einführung.* 2nd ed. (Leipzig and Berlin: Teubner. 1929. Pp. xiii, 258. R.M. 10.)

Roth, H. *Die Ubererzeugung in der Welthandelsware Kaffee im Zeitraum von 1790-1929.* Beiträge zur Erforschung der wirtschaftlichen Wechsel-

lagen Aufschwung, Krise, Stockung, Heft 2. (Jena: Fischer. 1929. Pp. viii, 146. M. 6.)

An historical study of the free markets in coffee in Brazil, 1790-1830 and 1870-1909, and restricted trade, 1830-1869, and 1909 to the present time. The monograph is documented and supported by statistical material.

Commerce yearbook, 1929. Vol. II. *Foreign countries.* (Washington: Supt. Docs. 1929. Pp. vi, 783. $1.)

The third issue of a most valuable compendium of data in regard to economic conditions in 65 foreign countries. Contains text, statistical tables and ten maps.

Foreign trade zones, or free ports, analyzed with special reference to advisability of their establishment in United States. War Dept. misc. ser. 3. (Washington: Supt. Docs. 1929. Pp. 322. $1.)

Accounting, Business Methods, Investments and the Exchanges

American Produce Markets. By Henry E. Erdman. (Boston: Heath. 1929. Pp. xiii, 449. $3.40.)

A large number of books on the marketing of farm products have been published during recent years. Many of these books have attempted to cover the entire field of marketing of agricultural products in a rather superficial manner. There has long been need for recognition of the fact that marketing methods differ for the various groups of products grown on American farms. Students of the produce business will find Dr. Erdman's book an outstanding contribution to the literature in this field.

The first three chapters are given over to a brief, concise analysis of the existing produce marketing situation and the problems involved in processing and merchandising farm produce at country points. An excellent bird's-eye view is given of existing marketing machinery at shipping points.

Three chapters are devoted to an explanation of the organization and functioning of the wholesale produce market. Herein, Dr. Erdman describes in a most interesting and definite manner the functions and methods of operation of each of the main types of dealers in the larger markets,—a task which sorely needed doing in view of the welter of confusing terminology used by authors and trade alike in connection with the produce business.

As might be expected, considerable space is devoted to a discussion of the advantages and disadvantages incident to the auction method of selling perishables. The history of the F.O.B. auction, as well as those at local shipping points, is particularly interesting and well written. New data are presented and the illustrative material is both pertinent and timely.

The discussion of auction selling is logically followed by an interesting discussion of the functions and operations of the various produce exchanges. Here again new and original data have been made available, and Dr. Erdman has been particularly fortunate in the examples used.

The brief space of one chapter is devoted to a discussion of the retail marketing of produce. This is a tacit recognition by the author of the meagerness of the available knowledge concerning the retail trade and of the crying need for careful research in this field. Most of the essential facts which are available concerning the retailing of produce have been faithfully set forth. The discussion cannot fail to aid in an appreciation of the services rendered and the problems involved in the efficient performance of such services.

Chapter IX contains an impartial discussion of the pros and cons of direct marketing. Few will quarrel with the conclusion that "direct marketing cannot possibly be applied to any large percentage of our total farm products."

Dr. Erdman calls particular attention to the increasing tendency towards specialization by function as well as by commodity, and very properly points out the inconsistency of the general criticism of specialization by function and the lack of criticism of specialization by commodity. The discussion of specialization, diversification, and integration sums up admirably the advantages and disadvantages of each.

Dr. Erdman has performed yeoman service in condemning the general laxity in the use of such terms as "grading," "standardization" and "branding." It is obvious that produce may be graded without being standardized and that a branded product is not necessarily either graded or standardized. The chapters on grading, inspection and standardization are of outstanding merit in this book. The case for greater simplification and standardization of containers is put most convincingly.

Many books on marketing are content to mention transportation as one of the necessary services in the marketing of all products and to let the discussion end there. Dr. Erdman's discussion covers this subject in a thorough manner and assembles much concrete data of interest to the producer, shipper, produce dealer and consumer. The same may be said of the chapters on storage, warehousing, and market news. Probably not all economists will agree with Dr. Erdman as to who "pays the freight" under varying sets of circumstances. His theory will doubtless provoke much helpful discussion.

Costs of marketing always constitute a controversial subject, and a difficult one to discuss. The author recognizes clearly the limitations of unit-cost data and is of the opinion that the most promising use for cost data is that of studying the organization of business. Various methods of computing "margins" and "spreads" are discussed, with possible mis-

interpretations, and much of the more recent cost data is made available. This is one of the best chapters in the book, but it is somewhat marred by publishers' errors in arrangement of tables and charts, some of which are very inconveniently placed.

The author senses the impossibility of any extensive discussion of coöperative marketing in one chapter of a small book. He has, therefore, devoted the available space to an excellent exposition of the possibilities and limitations of coöperative marketing without much attempt at detail.

The final chapter on "Progress in marketing" summarizes the present situation, points out some maladjustments, and suggests some means by which further progress may be made. The student of marketing will find many thought-stimulating suggestions in this chapter.

This book is written in a live, human manner, with a minimum of superfluous verbiage and much "meat." It should be a decidedly useful addition to the bookshelf of student, instructor, grower, or produce man.

M. P. Rasmussen

Cornell University

Scientific Management in American Industry. Edited by H. S. Person. (New York: Harper. 1929. Pp. xix, 479. $6.00. Textbook ed., $4.00.)

This volume, published under the auspices of the Taylor Society, and edited by its managing director, Harlow S. Person, is the joint effort of a group of twenty-six experts to summarize the philosophy, principles, and procedures of scientific management which have been developed in the past decade by its practitioners, and to picture its present-day status and influence. In the opinion of the reviewer, they have attained their objective.

In spite of its many authors, this treatise is more than a handbook, a collection of readings, or a symposium. While, as would be expected, there is divergence in style and difference in the treatment from chapter to chapter, it is evident that the chapters have been written to the specification of a carefully planned outline and have been well edited. Thus the book as a whole is given an unusual degree of unity for a work of this kind. It is divided into five sections as follows: Part I, "Introduction," chapters 1-3; Part II, "Management research," chapters 4-8; Part III, "Management standards," chapters 9-17; Part IV, "Control of operations," chapters 18-22; Part V, "Maintenance of standards," chapters 23-26; and Part VI, "Human aspects," chapters 27-29. The text is supplemented with some ninety illustrations.

One is impressed both with the progress in the development and the broadening of scope of scientific management in this 1929 exposition as

contrasted with the earlier writings of such men as Taylor, Gantt, Babcock, and their associates, and the collection of articles edited by Clarence B. Thompson in 1914 as the first volume of the Harvard Business Studies. The earlier literature deals almost exclusively with problems of factory management and the reorganization of shop practice. It is significant that scientific management, as described by the 1929 authorities, is being applied not only to the factory and work shop, but also to the office, the sales department, and the business as a whole. In this category are comprehensive chapters on general administrative standards which include such devices as budgetary control and financial and other management ratios, merchandising standards, sales operating standards, clerical operation standards, general administrative control, and the control of sales and office operations.

It would appear that Taylor and his followers, aided by the contributions of science and invention, have given such impetus to the improvement of production methods that management's big task at present is not so much to produce cheaply in large quantities as it is to find markets and distribute cheaply. It is not surprising, therefore, to find that scientific management in recent years has been broadening its scope to include the general administrative and marketing aspects of industry.

In the chapter on functional organization, there is a particularly lucid distinction drawn between line, line and staff, and functional organization. The reviewer believes, however, that Mr. M. C. Rorty, vice-president of the International Telephone and Telegraph Company, in a paper presented before the Taylor Society at its annual meeting in December, 1929, makes a constructive criticism in pointing out the danger of carrying functional organization too far. He would limit it to a basic unit of relatively small size with a manager of the "line" type in charge of each unit.

The emphasis given to the human equation throughout the book, and especially in the last three chapters, is striking evidence of a changing point of view as to effective methods of dealing with employees. Experience has shown that to install and maintain scientific management standards most effectively, it is necessary both to win and to keep the good will of both minor executives and employees. It has been demonstrated further that it is possible and desirable for management and employees coöperating to develop and apply the principles of scientific management to their particular shop or industry. Management is functioning as an educational process and is coming to be recognized as an art as well as a science.

In the chapter on "Leadership" reference is made to the possibility of regularization of employment through management effort. A chapter dealing specifically with this subject and giving concrete illustrations

would have been most timely. Another chapter might have been included on what has been learned in the past decade in regard to fatigue in industry. More reference to the continuing experience with scientific management of those plants described by the earlier writers would have been instructive. A valuable addition, also, would have been a more complete appraisal of the types of industries and businesses and the sizes of establishments which best lend themselves to scientific management methods.

This contribution of the Taylor Society to the literature of scientific management will undoubtedly become a standard reference book on the subject.

Francis H. Bird

University of Cincinnati

Alfred Weber's Theory of the Location of Industries. Edited by Carl Joachim Friedrich. (Chicago: University of Chicago Press. 1929. Pp. xxxiii, 256. $3.00.)

The work is an example of pure reasoning of the highest order. The serious student of economics will find the treatment of the subject of great interest as a method of reducing widely varying conditions into form for mathematical treatment.

Starting with pure assumptions, the author proceeds to rationalize and coördinate them, arriving finally at a mathematical expression which includes broadly all of the major factors which determine the economic location of industries and their "agglomeration." Quoting from John Stuart Mill the editor begins his introduction as follows:

> "Knowledge insufficient for prediction may be most valuable for guidance," wrote John Stuart Mill, in discussing economic theory in general. This statement might very properly have been made the motto of Weber's attempt to analyze a much-neglected problem by what Mill would have called a strictly deductive method. This problem is: what causes an industry to change its location?

The nature of the work is such that no single quotation can give an adequate concept of the whole; but the following from the section on "Labor orientation" indicates the method. Having defined the coefficient of labor as the labor cost per ton of weight which has to be moved, he arrives at the theorem that the "labor orientation" of industries, so far as it depends upon their general characteristics, is determined by their labor coefficients, and gives for example:

> . . . . The manufacture of corsets has a labor coefficient of about M.1,500; the pottery industry, of about M.55; the production of raw sugar (from beets), of M.1.30. According to these coefficients, 10 per cent of labor cost

saved at any place means respectively M.150, M.5.50, and M.0.13 saved per locational ton. If we assume a ton-kilometer rate of 5 pfennig, we find that the corset manufacture might deviate 3,000 km., the pottery industry, 110 km., and raw sugar production, 2.6 km. The entire—and immensely different—manner of orientation of these three industries is explained by these figures.

Useful as the theory should be for mass study and analysis of industrial location, it appears cumbersome for individual cases. In such cases it would appear necessary to solve the problem first in order to obtain the data to insert in the formula.

Industrial conditions are changing rapidly in this country as compared with Europe. Our theory of wages is becoming the exact opposite of the European. We are working toward the ideal of a maximum wage while Europe still clings to the minimum. The comfortable wage makes our labor more mobile. At the same time "standardized operations" are removing the need for specialized skill; and "labor market" now means not a concentration of specialized labor but population. For this reason the location of a specific concern in this country is rapidly becoming as much a matter of judgment as to what the future has in store as it is a question of the present facts.

The foregoing is written not to detract from the importance and basic value of the work in its broad application but to point the need of adjusting our economic concepts to fit our present day facts.

The editor refers in his introduction to the care exercised in translation. Evidently the greatest pains were taken to produce the exact equivalent of the German original. The result is a cumbersome style which one feels could have been avoided by free translation of the subject matter.

CHARLES P. TOLMAN

New York City

NEW BOOKS

ASPLEY, J. C. *Tips from a thousand salesmen.* (Chicago: Dartnell Corp. 1929. Pp. 252. $3.75.)

AYER, L. J. and ASHLEY, P. P. *Cases on business law: complete course.* (New York: Prentice-Hall. 1929. Pp. 1060. $6.)

BARNHART, W. L. *Practical salesmanship.* (New York: Ronald. 1929. Pp. vii, 266.)

BEACH, T. and SMITH, D. H. *Business economics.* (London: Routledge. 1929. Pp. 239. 3s. 6d.)

BOSTON, H. R. and PETTIT, R. D. *Rebuilding antiquated cost systems and punched hole accounting.* Official pubs., vol. xi, no. 10. (New York: National Assoc. of Cost Accountants. 1930. Pp. 619-633. 75c.)

BROOKS, W. C. *The theory and practice of finance.* (New York: Pitman. 1929. Pp. 425. $3.)

CAMP, R. O. *The story of markets.* (New York: Harper. Pp. 118. $1.25.)

CANNING, J. B. *The economics of accountancy: a critical analysis of accounting theory.* (New York: Ronald. 1929. Pp. viii, 367. $5.)

Accountants are so busily engaged with the more practical aspects of their profession that they concern themselves less than might be desired with the more philosophical and theoretical issues. Constant preoccupation with the practical may dull their perception of the theoretical. Economists, on the other hand, too often lack the necessary training to understand the accountant's technique, and hence fail to perceive the real theoretical problems of accounting. It is in this relatively unexplored field of intellectual inquiry lying between economics and accounting that Professor Canning has set for himself his problem—a study of accounting from the point of view of the economist.

His point of view takes shape in his definition of assets: "An asset is any future service in money or any future service convertible into money . . . . the beneficial interest in which is legally or equitably secured to some person or set of persons" (p. 22). So defined he argues that many items fit strangely as separate items under the asset classification. Insurance prepaid, for instance, is considered as a valuation account, shown as a separate item to be sure, but one whose fundamental significance is an addition to the value of the insured property. So too with organization expense. Goodwill is the master valuation account. It is a recognition of the impossibility of applying the theory of specific productivity to the valuation of assets. Goodwill has no separable significance; its essence is in the representation of the "togetherness" factor—a simple recognition that a group of assets coöperatively employed have a significance at variance with the sum of their individual significances.

Any theory of assets necessarily involves problems of valuation, which in turn involve a theory of income. The author concludes that Fisher's concept of income is sound economics and furnishes the best working basis for the accountant. On the basis of this theoretical background he makes a critical analysis of current methods of valuation. As to inventories, he concludes that much improvement can be made by the use of the "direct" method of valuation, a method which involves the use of three aggregates "cost, market, and net selling value to yield some named rate upon the investment" (p. 221). For capital instruments valuation is even more complex. When used jointly they "do not properly speaking have separate capital values at all," but "represent a kind of opportunity differential rather than independent summations" (p. 233). For purposes of revaluation of fixed assets he suggests a method of depreciation based on units of service as being a more useful, and according to his theory of valuation, a more correct method than those commonly employed.

The analysis is not exhaustive, nor its conclusions definitive; nor, indeed, are these to be expected in a pioneer study. Both accountants and economists will find it a stimulating study in an undeservedly neglected field.

WILLARD C. BEATTY

CAREY, M. T. *Legal solutions of business problems.* (Philadelphia: Business Law Publishing Co. 1929. Pp. 427. $3.)

CARTER, S. *Commerce: an introductory study.* (New York and London: Oxford Univ. Press. 1929. Pp. vii, 254. $1.25.)

A small, convenient English text which "describes in simple language the business world from the standpoint of an observer rather than that of a participator in any particular type of business." Special attention is given to retail and wholesale trade, capital and net profits, currency and banking, stock exchange, and transport. In the appendix are 25 pages of questions.

CASEY, C. C. *The way to more productive selling: an advanced course of training for greater volume and repeat sales.* (New York: McGraw-Hill. 1929. Pp. 157. $2.)

CHAPIN, A. F. *Credit and collection principles and practice.* (New York: McGraw-Hill. 1929. Pp. xv, 518. $4.)

CHAPMAN, C. *The law on advertising.* (New York: Harper. 1929. Pp. xxviii, 495. $7.50.)

COLLINS, C. W. *C. P. A. Review. Answers covering questions and problems presented in book entitled C. P. A. Review.* (New York: Wiley. 1928. Pp. x, 955. $8.50.)

This is a companion volume to *C. P. A. Review* by the same author which was reviewed in this journal for March, 1928. *C. P. A. Review Answers* must, in the nature of the case, follow the earlier book in form and arrangement. The new book contains answers to all the examination questions of the American Institute of Accountants from June, 1927, through November, 1925. All of the answers to questions in accounting are by H. A. Finney, as published in the *Journal of Accountancy.* The answers to the law questions have been supplied by Ralph J. Cummings, attorney at law, and Theodore J. Witting, C. P. A. Each chapter of the original text contains a list of supplemental questions; and answers to these are from various sources, each of which is indicated.

The author disclaims any responsibility for the correctness of the answers and solutions quoted, and states that no attempt has been made to discover faults therein. Although he has made no original contribution to the knowledge or practice of accounting, he has done a useful thing in preparing such a manual to take its place with several others of a somewhat similar nature. The work probably presents the best current opinion on each subject; but in a field of so many controversial points as accounting, any critical analysis would be sure to bring forth many disagreements.

CHARLES A. GLOVER

CRICK, W. F. *The economics of instalment trading and hire-purchase.* (New York and London: Pitman. 1929. Pp. vii, 128. $1.50.)

DICE, C. A. *New levels in the stock market.* 1st ed. (New York: McGraw-Hill. 1929. Pp. x, 264. $2.50.)

This volume was prepared primarily for the general public. Its object is to describe and outline the causes of what the author calls "a mighty revolution in industry, in trade, and in finance," which "has been making all things new in the United States," and which has brought about "a new day" in the stock market. It appeared just as the stock market began to decline from the high point of September 3. The movement of stock prices from 1900 to the middle of 1929 is portrayed in a dramatic manner in language almost as spectacular as the behavior of the market itself. The various periods are described as "The McKinley-Roosevelt Boom,"

"The Coolidge Boom," and "The Hoover Boom." But if the appearance of the book had been delayed several months, would the author have classified the recent market collapse as "The Hoover Stock Market Panic of 1929"?

Among the causes stated for the record-breaking rise in the market are various "new worlds" in industry, distribution, and banking; the inventor, the engineer, the executive; confidence in man's powers, confidence in our leaders, confidence in President Hoover, and confidence in our country. But is it also true that the absence of modern advertising methods is responsible for the lack of bathrooms in London hotels? for the fact that the Englishman still pulls his shirt on over his head while we button ours up like a coat? or for a large proportion of the present unemployment in the British Isles (pp. 110-111)?

The author is, however, not completely carried away by his theme; for he declares that, if history repeats itself, when the boom has spent its energy, there will be a decline of about 50 per cent in the average prices of industrials. After the decline stocks will again rise and remain on levels approximately from two and a half to three times as high as they were from 1910 to 1920. He presents a chart on page 69 in which he attempts to forecast the general movement of stock prices as far ahead as 1937. If history repeats itself, after the decline, the investor will during the next decade find it profitable to buy leading industrial stocks when the Dow Jones average hits 260 or below and hold them until the average moves above 360 before selling (p. 70).

The author did not attempt to say just when the market would break. The extent of the decline was roughly in accord with his prophecy. In the chapters on interest rates and broker's loans the author attempts to controvert the argument that high interest rates have affected or will affect business adversely, and that changes in interest rates are primary causes of the movement of stock prices. Many economists will, of course, dissent vigorously from this conclusion, especially in view of recent events.

Charles S. Tippetts

Dipman, C. W., editor. *The modern hardware store.* (New York: Good Hardware, Butterick Pub. Co. 1929. Pp. 415. $2.50.)

Doris, L., editor. *Corporate meetings, minutes, and resolutions: containing forms and precedents as well as a commentary upon the legal principles involved in questions requiring corporate action.* (New York: Prentice-Hall. 1929. Pp. 1135. $10.)

Eastwood, R. A. *The contract sale of goods.* (London: Longmans Green. Pp. 120. 8s. 6d.)

Fletcher, F. R. and Baron, L. A. *A manual for budget preparation and budgeting as applied to automobile manufacturing.* Official pubs., vol. XI, no. 5. (New York: National Assoc. of Cost Accountants. 1929. Pp. 264-289. 75c.)

Frederick, J. G. *Common stocks and the average man.* (New York: Business Bourse. 1930. Pp. 375. $4.)

Freeman, E. S. *The manufacturer's marketing cost.* Official pubs., vol. XI, no. 6. (New York: National Assoc. of Cost Accountants. 1929. Pp. 331-353. 75c.)

Graham, W. J. *Cost accounting and office equipment: a comprehensive treatise on process cost accounting, specific order cost accounting, how costs are collected and allocated, accounting and bookkeeping machines, correspondence, filing and mailing equipment.* (Chicago: American Technical Soc. 1929. Pp. 272.)

Guernsey, J. *Retailing tomorrow.* (New York: Textile Publishing Co. Pp. 272. $5.)

Handy, W. W. *Yardstick of public utility operations and construction costs.* (Baltimore: Williams & Wilkins. 1929. Pp. 155. $10.)

Haring, C. E. *The manufacturer and his outlets.* (New York: Harper. 1929. Pp. xii, 190. $3.)

A clear and readable account of the various types of agencies' selling commodities. These include retailers, the wholesaler and jobber, department store, mail-order house, and chain store. In particular the author emphasizes the service of the jobber and does not believe that he is doomed to extinction.

Harron, M. J. *Current research in law for the academic year 1928-1929: based on a survey made by the Institute of Law of the Johns Hopkins University.* (Baltimore: Johns Hopkins Press. London: Oxford Univ. Press. 1929. Pp. vi, 218. $2.)

Contains a list of research studies in progress. Of special interest to economists are the lists covering immigration, industrial relations, natural resources, public utilities and taxation.

Hayes, M. V. *Accounting for executive control.* (New York and London: Harper. 1929. Pp. xvi, 495. $6.)

Hoar, R. S. *Conditional sales: law and local practices—for executive and lawyer.* (New York: Ronald. 1929. Pp. x, 521. $10.)

A book not only for lawyers but for business men, particularly those engaged in instalment selling where a retention-of-title contract is used. Practice as well as law varies in different states. From legal experience in this field, the author has collated all pertinent facts with documentary data.

Hooker, E. E., Jr. *You can't win in Wall Street: staggering, sensational, and almost unbelievable facts about Wall Street.* (New York: Hooker Publishing Co. 1929. Pp. iv, 117.)

Howard, S. E. *The A B C of accounting.* (Princeton: Princeton Univ. Press. 1929. Pp. xv, 302. $3.)

Familiarity with the basic accounting theory and a modicum of its practice adds a keener edge to one's understanding of much in economic literature. And it is to those whose purpose is to understand and interpret accounting records rather than to construct them that this book is addressed.

In the main the treatment is orthodox. After a chapter presenting the accounting equation are chapters on the balance sheet and the statement of expense and revenue, each of the latter being supplemented by a series of excellent forms. Both the text and the forms are somewhat more thorough and complete than are customarily found at so early a point. Discussion of special journals and special column books is not introduced until the fundamental accounting processes of journalization, posting, adjusting, and closing have been developed. Chapters on wasting assets, depreciation, reserves and reserve funds, and cost accounting follow. Per-

haps the most striking feature is the space devoted to the analysis of the interest problem in its many manifestations. Amortization and accumulation of premiums and discounts are treated with a degree of completeness rarely found in a volume of this size. Whether or not there is overemphasis here can be determined only by the function of the accounting course in the curriculum of the department of economics. Though there are no chapters devoted to the special problems of partnership and corporation accounting, the student is not left uninformed of the meaning and treatment of the more important equities peculiar to these forms of business organization. Though not so elaborately illustrated as are many other texts, its forms are well chosen to give concreteness to the discussion. The problem material, concentrated at the end of the text, though not so varied as many may wish, is ample for laboratory and outside assignments.

Those who have need of a text for a one-semester course emphasizing such fundamental principles of accounting as any student of economics should know will find this text one of the best. It will commend itself not alone for its content, but likewise for the clarity and economy of its style.

WILLARD C. BEATTY

JACKSON, J. H. *Auditing problems.* (New York: Ronald. 1929. Pp. xvii, 534. $6.)

Professor Jackson describes this volume in a subtitle as "a comprehensive study in principles and procedure." Used in conjunction with the author's *Audit Working Papers,* it constitutes a most comprehensive and satisfactory compact source of material for a study of auditing. Since, as the author says, he has had free access to the "rich reservoir" of materials in the files of the Price, Waterhouse national organization, and has received the aid and counsel of this and other important accounting firms, it is easy to believe that here are presented the choicest offerings which the practice of accounting can give the student.

The 99 problems are of three sorts. (1) Problems in which the facts are stated, and it is left entirely for the student to work out the solution. (2) Problems in which both facts and actual solution are given, the solution being more or less unsatisfactory. Here the student must criticize and present a proper solution. (3) Problems presenting both facts and the most desirable solution, for the student to admire and use as an example. The problems are replete with realistic detail which must be seen to be appreciated. They cover every phase of the audit, from preliminary considerations to the final report. Not the least desirable features of the volume are a classified bibliography of 17 pages and a 22-page index.

H. F. TAGGART

LOMAX, P. S. and HAYNES, B. R. *Problems of teaching elementary business training: a classroom manual of practical helps for teachers of this subsubject in public and private secondary schools.* (New York: Prentice-Hall. 1929. Pp. viii, 199.)

LYON, L. S. *Hand-to-mouth buying: a study in the organization, planning and stabilization of trade.* (Washington: Brookings Institution. 1929. Pp. xv, 487. $4.)

————. *Some trends in the marketing of canned foods.* Pamphlet ser. vol. I, no. 4. (Washington: Brookings Institution. 1929. Pp. 63. 50c.)

Montgomery, T. H. *Auditing.* Revised by Willard J. Graham. (Chicago: American Technical Soc. Pp. 229. $2.)

Mottram, R. H. *A history of financial speculation.* (Boston: Little Brown. Pp. 329. $4.)

Nims, H. D. *The law of unfair competition and trade marks, with chapters on good-will, trade secrets, defamation of competitors and their goods, registration of trade marks, interference with competitors' business, etc.* 3rd ed. (New York: Baker, Voorhis & Co. 1929. Pp. cliv, 1293.)

Oliphant, J. H., & Co. *Studies in securities, 1929.* 3rd issue. (New York: L. Middleditch Co. 1929. Pp. 120.)

Pfeiffer, A. *New York law of real estate brokerage.* (New York: Ronald. 1929. Pp. 152. $4.)

Phelps, G. H. *Tomorrow's advertisers and their advertising agencies.* (New York and London: Harper. 1929. Pp. x, 256. $3.50.)

A glowing account of what may be done by advertising in the future, especially through the use of the radio and television. Special attention is given to the extension of advertising to reach a world-wide constituency. Emphasis is placed upon the need of exciting the reader and listener in order to secure responsive action.

Recknagel, A. B. and Spring, S. N. *Forestry: a study of its origin, application and significance in the United States.* (New York: Knopf. 1929. Pp. ix, 255.)

Reilly, W. J. *Marketing investigations.* (New York: Ronald. 1929. Pp. vii, 245. $5.)

The present day emphasis upon scientific market study has ushered in the unofficial "open season" for publications, scientific and otherwise, on methods of market research. The writings, in keeping with the usual development of new fields of academic inquiry, have shown the customary leaning to exposition, rather than to any scientific appraisal of results obtained from market analysis. Professor Reilly, in his new work, has made a singular contribution to this undeveloped phase of the subject.

Concerning problems of type, sources and agencies of research, methods of inquiry, and the other descriptive aspects of the study, the author has developed the subject in a concise and summary manner. Although no claim is made for a new method of presentation or reorganization of material, Professor Reilly has ingeniously devised "frequency valuation tables" to summarize current practices and principles of market research. From a study of many market research projects, a tabular presentation is made of "sources and means used to secure primary kinds of desirable market information." The study of sources of information, consumer, retailer, and jobber, is similarly summarized in frequency tables indicating the rank of each in obtaining the primary kinds of information desired. It must be concluded that presentation in this manner brings the various aspects of research practice into bold relief, and is far superior to the loosely organized summaries drawn from isolated illustrative cases.

The "raison d'être" of the author's text is concerned with the interpretation of market data. Market research necessarily requires extensive use

of the sampling process, and a recognition of the reliability and the degree of accuracy of conclusions drawn from sample studies are concomitants of a scientific market study.

Professor Reilly suggests a test method to ascertain the reliability of a sample by a method of division of the sample into ten equal groups, and a comparison on a rotation basis of one-half of the groups (five in number) with the other half to test for inconsistencies in the data. If variations exceed allowable differences (tabulated for reference), it indicates that the variations are not due to chance sampling, and the factor causing the variation must be isolated. The groups are recast into two other divisions of five each, with the suspected factor causing the variation common to one of the divisions, and the test again applied. The author has prepared a check list of factors to aid in the determination of the cause of variation. In addition to verifying the reliability of the sample, this method serves "the practical purpose of uncovering factors which affect in a causal way the marketing of the product."

After the reliability of the sample has been assured, a statistical measure of its accuracy is necessary to indicate the relationship of the sample to the market as a whole. The conclusions drawn from the sample must be qualified by an expression of possible limits of variation. For this purpose the author has prepared a table (in accordance with probability theory), "giving the bounds of accuracy within which any answer lies."

In the appendix the author presents briefly the mathematical implications involved in the use of the methods suggested. Unless the reader is familiar with the statistical theory, the explanation may leave him more confused than enlightened; and in view of the avowed importance of this phase of the work, it might have been advisable to elaborate more fully on the theory. However, the book is primarily written for the practical business man, and this fact might justify brevity in the explanation of the theory!

Yet the book has much to recommend itself for classroom use. The organization and condensation of material should give the student of distribution problems a definite grasp on this rather elusive subject, and the analytical aspects of interpretation of market data merit careful study by student as well as research specialist.

Arthur E. Nilsson

———. *What place has the advertising agency in market research?* Bureau of Business Research monograph no. 3. (Austin: Univ. of Texas. 1929. Pp. 31. $1.)

Robinson, L. R. *Investment trust organization and management.* Rev. ed. (New York: Ronald. 1929. Pp. xvii, 608. $7.50.)

The first edition was reviewed in March, 1927 (vol. XVII, p. 105). This edition, according to the publisher's announcement, contains 80 per cent new material. For the first edition, the author relied largely upon British experience; but in the past three years the development of the investment trust in the United States justifies an analysis in the light of American experience. The book will be serviceable not only for managers of investment trusts but also for students of private finance.

Rothrauff, G. A. *Standard costs in the illuminating and industrial glass*

industry. Official pubs., vol. XI, no. 9. (New York: National Association of Cost Accountants. 1929. Pp. 553-570. 75c.)

SANDERS, T. H. *Industrial accounting: control of industry through costs.* 1st ed. (New York: McGraw-Hill. 1929. Pp. xiv, 371.)

SEARS, J. H. *The new place of the stockholder.* (New York and London: Harper. 1929. Pp. xv, 260. $4.)

The limited liability corporation is only a few generations old. Its rapid ascendency in the business world has inevitably created serious problems, one of the most serious being the divorce of management from ownership. The entrepreneur functions have been split, policy formation falling largely on one group while the risks fall largely on other groups. This condition offers opportunity for abuses, notably for shady deals on the part of the insiders. What can be done about it is lately receiving some attention. Generally speaking, the suggestions offered may be said to fall into three groups: (1) those urging the stockholder himself to wake up, assert his rights, and correct the abuses; (2) those looking to the authorities, legal and other, to compel reform, especially along the lines of publicity, the stopping of the issue of non-voting shares, and the holding of directors and officers to stricter accountability; (3) those desiring the development of a higher type of management, one that regards itself as the trustee of the interests of the shareholders and of the community at large.

Mr. Sears, a corporation attorney, analyzes the problem from the viewpoint of a socially minded lawyer. He offers suggestions along all three of the lines indicated above but seems to place his main reliance on the first. Some readers might be a little puzzled to know how to interpret the title of his book. One possible interpretation is that the stockholder has slipped from his old place as an interested participant in corporate control to a new place as an indifferent, disfranchised investor or speculator. Another interpretation is that the stockholder should awaken to the weakness of his present position and assume a new place as an alert participant in corporate affairs. The author intends to give the second interpretation, but his discussion really justifies the first. He points out the increased apathy of stockholders; their failure to attend meetings and even to return prepared proxies, which sometimes makes it difficult for the management to secure the necessary approval of new financing, mergers, sale of assets, and other deals; the tendency of stockholders who think corporate affairs are being mismanaged to sell out and take their loss rather than to resort to legal proceedings or even to protest; the ease with which promoters, organizing in liberal charter-granting states, can "put across" such questionable policies as the issue of non-voting shares and the payment of dividends out of paid-in rather than earned surplus. All of which and more the author deplores and wants remedied. He pleads for more frankness in the circulars offering new securities and especially for more complete and more easily understood reports of condition. He wants executives to write letters of welcome to new stockholders, to encourage stockholders to inspect plants, to conduct meetings in a more interesting manner, and to use the stockholders to help to keep down corporate taxes. He urges stockholders to use their privileges. The author's hope for the adoption of his suggestions lies in the belief that they will pay.

The legal rights and remedies of stockholders are well presented in

Chapter 22. They seem to cover the ground pretty thoroughly. But the author himself is pessimistic regarding the practical effectiveness of these remedies (p. 210). He shows the stockholder a new place, how much better it is than the old place, and how to get to the new place, but he hasn't much faith that the subject will occupy it. A facetious reader might ask—"Why send out the missionaries if the heathen don't want to be saved?"

On the whole, for an economist who desires to know more about corporation law, the book is worth reading. For a mature, well thought-out discussion of the economic and social aspects of the corporation it leaves much to be desired.

ALBERT S. KEISTER

SIMONDS, W. A. *Henry Ford, motor genius: including a pictorial supplement showing a trip through the Dearborn plant.* (Garden City, N.Y.: Doubleday Doran. 1929. Pp. x, 205.)

SMITH, D. S. *The organization and functioning of an office.* Official pubs., vol. XI, no. 8. (New York: National Association of Cost Accountants. 1929. Pp. 485-498. 75c.)

STERN, S. *Fourteen years of European investments, 1914-1928.* (New York: Bankers Publishing Co. 1929. Pp. 293. $5.)

STEVENSON, J. A. *Salesmanship.* Reading with a purpose, no. 52. (Chicago: American Library Assoc. Pp. 30. 50c.)

STODDART, A. *Great markets of America: a study of fifty-four trading areas in thirty-six states east of the Rocky Mountains.* (New York: General Outdoor Advertising Co. 1929. Pp. 400.)

ULLRICH, W. A. *Manufacturing expense analysis, classification and distribution.* Official pubs., vol. XI, no. 7. (New York: National Association of Cost Accountants. 1929. Pp. 397-418. 75c.)

URWICK, L. *The meaning of rationalisation.* (London: Nisbet. Pp. 160. 7s. 6d.)

WALKER, R. G. and COFFMAN, P. B. *Problems in accounting principles.* (New York: McGraw-Hill. 1929. Pp. xv, 620. $5.)

This volume constitutes perhaps the first formal attempt to apply the case method to elementary accounting instruction. It represents the method in use at the Harvard Graduate School of Business Administration, and is bound to command the attention of everyone interested in the technique of teaching accounting. One brought up on the more orthodox methods must regard the experiment with a degree of dubiety, even though agreeing that it ought to be made. Perhaps the method is suitable for use only with the class of students at the Harvard school; but no instructor in the elements should fail to give it serious consideration.

Few of the 217 "problems" resemble most of the accounting problem material elsewhere available. They bear the familiar aspect of the Harvard "case." Most of them are taken from life. Not a few are based on cases coming before federal and state income tax authorities and the courts. They vary in length from a paragraph or so to twelve pages, and consist of a statement of the problem, with sufficient details to give a lifelike setting, and suggestive questions and directions for solution. Expository matter consists of a few footnotes, the author encouraging the student to consult some of the standard writers for this sort of material.

The topics considered cover the usual territory of the elementary text, but in arrangement and weight assigned they differ decidedly from the ordinary treatise. Considerably more attention is devoted to matters of interpretation and analysis than to technique. The one chapter of 23 problems in bookkeeping procedure is supplemented, says the author, by laboratory practice in the course at Harvard. A number of subjects are given much more space than in the ordinary text. Depreciation, for instance, is allotted 70 pages; and such questions as the desirability of modifying the depreciation charge on account of changing replacement costs and the measurement of the factor of obsolescence are given attention.

Both method and material are thought-provoking. The style of the problems is one that merits greater use, whether the case method is adopted without reservation or not. Much of the material is adaptable for use in advanced and specialized courses. The work cannot but be considered an important addition to accounting literature.

H. F. Taggart

Willis, H. P. and Bogen, J. I. *Investment banking.* (New York: Harper. 1929. Pp. xii, 529. $3.50.)

This volume under the joint authorship of Professor Willis of Columbia and Professor Bogen of New York University, is an excellent and useful book. Despite its range and inclusiveness, it is never discursive or controversial; and it presents its material in singularly terse and lucid English.

It deals with the principles and practices of investment banking in a broad sense, and divides its study of the field into three parts entitled: "Investment banking institutions;" "The theory of investment banking," and "Investment banking practice."

Its peculiar virtue lies in the fact that the authors bring to their task not only scholarship and research, but an exceptionally shrewd and competent understanding of the daily doings of the market place. In a word, they are abreast of the times, an essential quality for writers who are dealing with a field of activity that is fluid to the point of volatility. Whether one observes today the sharp concentration of banking power, the chaining of branch institutions, the swing from bonds to equities, or the sudden pouring of billions into a hodgepodge of organizations dubbed "investment trusts," one sees the necessity for a working interpretation of the hourly flux and flow of financial events. Thanks to this awareness, the authors are careful to avoid the error of didactic statement, recognizing, as they do, the well-nigh revolutionary sweep of events in the banking world, and the changing forms of our banking institutions that comprise it.

For the student of investment banking, the book is well arranged for reference to special subjects. The information to be derived will be found accurate and dependable, rarely expanded beyond a compact and coherent statement of essential facts. Each chapter is fortified, however, with valuable references for any reader who seeks to extend his inquiries.

For the teacher it is well devised both in form and mode of presentation. Its charts and tables are clear and helpful, and are free from over-elaboration. Its many summations of total figures are interesting and suggestive.

The fact that the authors are editors of *The Journal of Commerce* may give a clue to their competency to make a readable book, and to portray the actual workings of the banking mechanism with such a sure touch.

One regret only occurs to the reader, namely, that this publication should have appeared just before the stock market panic of 1929 had become a part of our financial history. That event rounded off such an extraordinary period of national aberration that one cannot help wondering if its dramatic lessons might not have modified some of the points of view of any contemporary study of finance, however temperate and well balanced in its judgments. That the panic affects the findings of this volume to so slight a degree is a tribute to the wisdom of its authors.

WILLIAM LLOYD GARRISON, JR.

WINKLER, M. *Investments of United States capital in Latin America.* (Boston: World Peace Foundation. Pp. 297. $2.)

Commercial education, 1926-28. Educ. Bur. bull. no. 26. (Washington: Supt. Docs. 1929. Pp. 27. 5c.)

Corporate securities act providing for the regulation and supervision of companies, brokers and agents and sales of securities. (Sacramento: State House. 1929. Pp. 19.)

Departmental merchandising statistics: percentages of orders placed, merchandise receipts, and sales by months. (New York: Dry Goods Economist Research, 239 W. 39th St. 1929. Pp. 35. $2.50.)

A statistical record, throwing light upon changes in distribution and retail buying during the last ten years. This study is more complete than previous compilations inasmuch as it includes orders placed and merchandise receipts as well as sales. For all three operations data are given by months, thus illustrating seasonal variations in all their aspects. Transactions in eighteen different lines of goods, as silks and velvets, cotton wash goods, hosiery, etc., are represented by charts with explanatory text.

The financial plan of gas companies. Bureau of Business Research bull. no. 27. (Urbana: Univ. of Illinois. 1929. Pp. 49. 50c.)

The foreman's management library. (Chicago: National Foremen's Institute. 1929.)

New York Real Estate Securities Exchange, Inc. Purposes, history, operation, organization, services, listing, membership, officers. (New York: N.Y. Real Estate Securities Exchange. 1929. Pp. 33.)

Operating results and policies of building material dealers in 1928. Bull. no. 81. (Boston: Harvard Univ. Bureau of Business Research. 1929. Pp. vi, 70. $2.50.)

Public regulation of competitive practices. 2nd ed., rev. (New York: National Industrial Conference Board. 1929. Pp. xi, 320. $3.)

The first edition of this study was reviewed in volume XVI, page 319 (June, 1926). This revision brings up to date the regulation of price and trade relation policies, less-than-cost selling, resale price maintenance, misbranding and other kindred practices. It also contains a chapter on the trade practice conference. A complete record of the proceedings of the Federal Trade Commission is given in the appendix.

Retail distribution: Boston conference, 1929. (Boston: Boston Chamber of Commerce, Retail Trade Board. 1929. Pp. 119.)

Capital and Capitalistic Organization

NEW BOOKS

FISCHER, P. T. and WAGENFÜHR, H. *Kartelle in Europa (ohne Deutschland).* (Nurnberg: Krische & Co. 1929. Pp. xi, 256. Rm. 14.)

SEAGER, H. R. and GULICK, C. A. *Trust and corporation problems.* (New York: Harper. 1929. Pp. xii, 719. $3.50.)

SPURR, H. C., editor. *Public utilities reports, containing decisions of the public service commissions and of state and federal courts.* (Rochester, N.Y.: Public Utilities Reports, Inc. 1929. Pp. xxxii, 775.)

TOULMIN, H. A., JR. *Millions in mergers.* (New York: Forbes Pub. Co. 1929. Pp. 338. $3.50.)

Digest of public utilities reports annotated for the year 1928, including volumes 1928A-1928E together with a table of annotations from 1915 to 1929. (Rochester, N.Y.: Public Utilities Reports, Inc. 1929. Pp. 628.)

Investigation into the Amalgamated Builders' Council and related organizations: an alleged combine of plumbing and heating contractors and others in the Province of Ontario. Reports of Commissioner, October 31 and December 18, 1929. (Ottawa: H. M. Stationery Office. 1930. Pp. 38.)

Labor and Labor Organizations

Union Progress in New York: Story of the Modernization of Union Structure and Business Methods in the Electrical Field. By H. H. BROACH. (New York: Local Union No. 3, International Brotherhood of Electrical Workers. 1929. Pp. 71.)

The methods employed by the unions in the building industry, both in their internal organization and government as well as in their relations with the contractors, have been subjected to considerable study and analysis in the past few years. The reports of the so-called Lockwood Committee in New York State and the investigation of the Dailey Commission in Illinois have uncovered not only unwholesome collusion between union officials and contractors, but restrictive and arbitrary practices in the internal government of the Union. This pamphlet of 71 pages is not made by a governmental agency, but by a vice-president of one of the larger labor organizations in the building industry. It is a description of conditions he found in the New York union and of the changes which have taken place after three years of reform and reorganization.

The existence of the closed-union shop in the building trades of our larger cities has given to the officials of the labor organizations a tremendous power over the workers and contractors. The business agent is literally the dispenser of jobs; and when his power gets out of control of the members of the organization it can be used for personal advantage with little thought to the welfare of members or of the industry. "The International union," writes Mr. Broach, "found a group

of officers who would do almost anything for ten dollars. Politics came first—service last."

There was a union in New York, but no union conditions. Men worked for less than the established wage scale. In the supposedly union shop, they worked together with non-union men. There were shops which had never an agreement with the union and yet their names and addresses were listed in the directory of electrical contractors as employing members of the local union. There was in New York almost a contractor for every union member. Since there was a shortage of union electrical workers, the business agents discovered a veritable gold mine by taking the cards of union members at work and renting them out to a contractor to give to non-union workers, should he need them for a union job. Into this local, "men bought their way as they would buy tickets to a show."

The International Brotherhood of Electrical Workers has long had the reputation of one of the more progressive labor organizations in the building industry. In line with the present trend in organization methods this union has been establishing scientific methods in its procedure and conducting its organization not unlike that of a private business corporation.

It was not a simple matter to reform the officers of the New York local. In this little booklet one will find a good picture of the tactics and technique used by national unions in reforming obstreperous local groups. There were cliques and "clubs" which opposed any change. There were thousands of untrained electricians who had bought their way into the organization. There were the old officers who had profited by the state of affairs. And there were contractors who thought it cheaper to pay graft than to live up to "union conditions." It took three years to "reform" the union; and from the evidence Mr. Broach presents it is apparently a "thorough cleaning."

The significance of this little story to the student of labor organizations lies in its calling attention to the changing technique which labor is adopting in its industrial program. "Lack of knowledge of our industry," writes Mr. Broach, "has left many unions throughout the country in a serious and uneasy predicament." Those administering the affairs of the New York union saw that "brute strength, bluster and bluff," while they might have been successful weapons in the past, "do not go" today. The modern union is establishing research and "fact-finding" departments. The reorganization of local No. 3 was simply a step in the direction of this program.

That such changes will not come easily is well brought out in Mr. Broach's account. Unions change with "criminal slowness." Today most unions function much the same as they did 40 years ago. "In

this auto age they still use horses and buggies." The new point of view is suggested in Mr. Broach's warning that unions must capture science and its methods in every department of union work.

WILLIAM HABER

Michigan State College

Wertheim Lectures on Industrial Relations, 1928. By OTTO S. BEYER, JR., JOSEPH H. WILLITS, JOHN P. FREY, WILLIAM M. LEISERSON, JOHN R. COMMONS, ELTON MAYO and FRANK W. TAUSSIG. (Cambridge: Harvard University Press. London: Humphrey Milford. 1929. Pp. viii, 229. $3.00.)

For the year 1928-29 the income from the Jacob Wertheim Foundation at Harvard University was devoted to a series of lectures, instead of to the usual research fellowship, in the field of industrial coöperation. The lectures are reproduced in this volume. It was not intended that they should furnish a summary of present day industrial relations but rather a presentation of certain specific developments and an evaluation of some important trends. Together the essays are a very readable and illuminating addition to our literature on industrial relations. Doubtless there will be many requests for permission to reprint some of them in books of "readings."

The first three lectures deal with employer-employee relations in specific industrial settings—railroad shops, bituminous coal, and stove molding. Mr. Beyer gives a lucid and interesting account of the origin and development of the "Baltimore and Ohio plan" of union-management coöperation, from first-hand experience as the consulting engineer of the shopcrafts' unions in the working out of the plan. Mr. Frey speaks as an officer of a national trade union. Starting with the advantages of voluntary agreement, as opposed both to legal compulsion and "company unionism," which he regards as "more or less involuntary" on the side of the workers, he illustrates his points from the experience of the International Molders' Union (his own union) and the Stove Founders' National Defense Association in national collective bargaining. His material is not new but his story is well told.

Professor Willits has a harder task—to explain the breakdown of the system of collective bargaining in the unionized portion of the bituminous coal industry and to make suggestions for future relations. His analysis of the factors which produced the present situation is excellent. It may seem carping to seize upon a single statement in a general lecture of this kind; but Professor Willits' reference to the Jacksonville Agreement is cast in a form which invites the interpretation that it appreciably *increased* the labor cost in the union fields by an *increase* in the scale. The union, in March, 1924, he says (p. 43) "forced through

the Jacksonville Agreement which set a basic day rate of $7.50 for inside common labor in the Central Competitive Field. Immediately, this increased differential in costs between the union and non-union areas had the effect, in the fierce competition for markets, of drawing the business more and more to the non-union fields." The Jacksonville Agreement did not *advance* any wage rates; it kept them where they were. The $7.50 rate had been in force since 1920. A less important point is that it applied to groups that can hardly be classed as "common labor." A slightly lower rate ($7.25) prevailed for other inside labor, including helpers (except in Indiana where the rate for inside laborers was $7.50).

Professor Commons' subject is jurisdictional disputes. His sweeping treatment of the causes of inter-union struggles for control of the jobs and his survey of possible methods of eliminating them are characteristically bold and stimulating.

Professor Leiserson analyzes the "Contributions of personnel management to improved labor relations." The perspective is broad and the statement of findings definite. "The personnel managers have put up an effective competition for leadership (of the workers) against the union leaders." Professor Leiserson includes in the contributions of personnel management the development of machinery for employee representation; in fact he calls this "perhaps" its "most significant contribution." Mr. Frey would probably not agree with his statement that employee representation plans introduced by the management "start with conceding the essential principle of trade unionism, collective bargaining." Yet this is a very helpful essay on the comparative positions of trade unionism and direct group relations independent of trade unionism at the present moment, from one who is both a thoughtful student of, and a successful practitioner in the field of, industrial relations.

"The maladjustment of the industrial worker" is Professor Mayo's topic. He urges the necessity of appeal to sciences apparently remote from industry—such as physiology, biochemistry, psychology and anthropology—in meeting problems of unrest, decreased efficiency, irregular production, etc. "Social disruption and educational inadequacy" are much to blame for mental attitudes that reduce efficiency and lower morale.

That Professor Taussig participated in the series is due to "the urgent request of his associates on the Wertheim Committee." His subject is "The opposition of interest between employer and employee: Difficulties and remedies." He finds the heart of the problem in the divergence between job psychology and profits psychology. Unity of interest in production demands vertical organization within the plant; but "independent" trade unionism is still needed along with it. Spirit,

however, is far more important than machinery of organization of relationships. The lead, he thinks, should come from the employers and this can be more confidently hoped for if the class from which the employers and managers come, and to which they look for approval, takes a more tolerant, patient and unselfish attitude toward the wage earners.

D. A. McCabe

Princeton University

Wage Incentive Methods: Their Selection, Installation and Operation. By Charles W. Lytle. (New York: Ronald. 1929. Pp. vii, 457. $7.50.)

The author makes neither pretense nor effort at uncovering the economic and social bases of wages or of wage determination; yet however much one may regret the lack, it seems perhaps unfair to hold this against him. It is hard to see, however, how any adequate exposition of wage incentive methods, even if restricted solely to "their selection, installation and operation," can be complete or competent without some recognition being given to the concept of exploitation lying back of all incentive plans. It is significant that, despite all the parade of scientific mannerisms affected by time-and-motion study—so admirably mirrored in these pages—the entire procedure is the virtual substitution of a task or a stint for a real bilateral contract. In this the labor student should see not so much a reproach upon the employer, who after all but acts within his proper function as an enterpriser, as an index of the incapacity of labor to exert the requisite effective demand to make the delivery of his performance depend upon a merchandising transaction. Of the transition from that sort of exploitation of workers as the employer's possession, which Samuel Gompers thought to have ended with a legal phrase, to the more recent status of the worker as himself an enterpriser selling his skills and labor power as his wares, the author discloses no inkling of awareness.

Taking the text, then, for what it essays to be, one encounters a wealth of material. Indeed, the encounter is almost overwhelming in its marshalled array of formulas, tables and graphs bristling with variegated curves. In its diversity of detail the text approaches an air of encyclopedic completeness. Some criticism might be made of the author's taking for granted too much knowledge about typical wage plans, which laymen do not have; in this sense the text is largely written not for laymen but for practitioners. A more serious basis for criticism may lie in the fondness shown by the author, in common with "industrial engineers" as a class, for rather superfluous mathematical formulas and what approaches perilously near to the pseudo-scientific jargon affected by "engineers" who carry the title much as do all Kentuckians

that of "colonel." For this the author should not be held too strictly accountable as solid pages pass in quotation and so reflect rather the pomposities of enterprising or egotistical consultants touting their essentially simple and commonplace wares.

Much of the multiplicity of variety in wage plans elaborately detailed can be readily seen to be essentially duplication, sometimes so patently adapted as to command by their audacity the admiration of the careful industrial management student. All of these incentive plans could, it seems, be boiled down to three basic types: (1) those which offer incentive to improve on standards which are past performance; (2) those which offer incentive to achieve or exceed standards set up by time-and-motion study with implication of constancy in the surrounding factors to the task or job; and (3) those which seek to express in terms of some basic or interchangeable unit the standard for the task or job, which standard is assumed to be the optimum performance of the job as an absolute ideal performance. A straight piece rate by definition can hardly be called an incentive plan, as it pays for neither more nor less than has been done.

In all of these types with their many variants it is frankly assumed, and in this the author unreservedly concurs, that the legitimate purpose of all incentive wage plans is to get more than a *quid pro quo;* in fact the profits of "good management" are seen by this school of industrial engineers to lie in the excess of performance over increases in wage payment.

If this be so, the inquisitive economist well may ponder the spectacle of the dog overtaking his tail by the acceleration of turnover. If, as the numerous charts of these pages so graphically portray, the greater the output of the worker the less per unit of output becomes the incentive wage return, this inquisitive economist may well wonder how the author's pious hope expressed at the close of his text that while "of course the finer things do not always keep step with material well-being . . . . they catch up eventually . . . ." can be achieved.

Willis Wissler

Ohio State University

Labor Attitudes in Iowa and Contiguous Territory. By Dale Yoder. Iowa Studies in Business No. V. (Iowa City: College of Commerce, State University of Iowa. 1929. Pp. 192. $1.00.)

This study represents an interesting attempt to arrive at the attitudes of labor in the Middle West as represented for the most part by Iowa. The method was to talk with union and non-union laborers, to attend local and state union meetings, to study labor papers and interview their editors, to examine other published material, especially con-

vention proceedings, and to distribute a questionnaire throughout various industries and districts. The laborers' names were secured from union leaders and from employers. The writer sought to cover a wide range of wage rates and to include workers involved in strikes. A questionnaire sent to 100 persons was answered by 79.

The topics covered in the study include opinions upon the negative and the positive values of labor organizations and attitudes toward the business structure, the industrial system, politics, and international relations. The method of presentation used is to summarize attitudes and then to present the materials upon which the author's conclusions are based. The first group of attitudes, for example, includes 19 statements presented in detail, together with the author's note that 18 others showing similar opinions have been secured. The 19 statements are gathered from a non-union barber, 2 non-union foundry foremen, a non-union production foreman, a non-union assistant foreman, a union miner, a miner from a coöperatively owned mine, a union plumber, a secretary of a local trades and labor assembly, a mechanic, one article in a local and 7 in labor papers, and a resolution of a miners' local. Of these, 6 opinions were gathered from personal interviews, 4 from the questionnaire, 3 from letters to papers, and 4 from editorials.

The attempt to find a method for arriving at labor opinions is praiseworthy, highly provocative, and fraught with many difficulties. Because the method is novel, it is perhaps more readily open to suggestions than some older and less highly experimental approach. The question that it immediately arouses concerns the method of sampling. One would like much more detailed description of the basis of choice of the opinions expressed, as to how typical they were and how far they were necessarily limited by the author's facilities for making contacts. Even though an inquiry such as this were confined to one topic, access to sufficient information and breadth of contacts to secure an adequate sampling would be difficult. It would have been of interest to the reader, also, to know the basis of selection of newspaper clippings. The introductory chapter describing the method states that particular attention was given to the amount of space and the prominence accorded various subjects. Some quantitative statement, such as the number and location of columns devoted to certain subjects, could well have supplemented the newspaper quotations given. The method of the entire study is more valuable than the conclusions which are, almost of necessity, rather general.

The method used should prove highly fruitful, especially if studies can be made of the range of opinion on a more limited number of topics, perhaps only one or two, and from one type of union at a time. The opinions of miners or barbers or carpenters or hod carriers, covering the

rank and file of different sections of a state, and those of their local and state leaders could be secured. These opinions could then be compared with those expressed by the national body. Local, state, and national papers could be examined for editorials, for news items, and for forum letters. Other publications and the convention proceedings would yield valuable results. The usefulness of such a study, however, could be materially enhanced if the work covered a period of years. It would then enable us to see the growth or change of opinion. It might give some clues as to the source of attitudes and whether they emanated mainly from the rank and file or from the leaders. It might even show whether leaders manufactured opinions or were in a position to see problems in advance of their understanding by the rank and file.

The author is to be congratulated upon the attempt to apply a highly useful method in the discovery of labor attitudes. Refinement of method, limitation of the field of inquiry, and expansion to cover a definite period of time sufficient to enable us to see the growth of opinions, should improve the value of the method for the purpose to which it is applied. It is to be hoped that the author will continue studies of this sort in the field of labor attitudes.

MOLLIE RAY CARROLL

Goucher College

Portrait of the Labour Party. By EGON WERTHEIMER. (London: Putnam. 1929. Pp. xxi, 218. 5s.)

In this scintillating little volume the London correspondent of the Social Democratic Press of Germany presents to English readers his impressions of the party which is "the one great hope of the democratic Socialism of the world." A few bold strokes serve to outline the interesting relationship between the Labour Party and its constituent elements—the Trades Union Congress, the individual trade unions, the Fabian Society, the Social Democratic Federation, and the Independent Labour Party. He traces the rise of the party, its change of attitude towards Communists, and the eventual development, after twenty years of existence without one, of a program for the party, adopted in 1918 when it was already a powerful element in English political life. And, after tracing its successful rise, he adds an interesting word of warning for the future.

With the aid of his knowledge of Continental Socialist parties, he analyzes the English party and finds it unique in many respects. Organized on a federal basis rather than on individual membership, it is primarily a voting machine rather than a unified centralized party. And instead of the trade unions being mere tails to the political party kites, as on the Continent, the Trades Union Congress dominates the

Labour Party and makes it merely another tool for united labor action. The author marvels at the friendly relations which exist between members of the Labour Party and other parties in England. One would not find Socialists on the Continent accepting with open arms and putting in the forefront of their campaign battles recent converts from the parties of aristocracy and wealth. But title and property are perfectly good tickets of admission to the ranks of this most snobbish of Socialist parties, nor does joining it mean that one must sever his former contacts and friendships. Especially striking is the absence of Marxian influence from the programs and principles of the Party. Its policies have been dominated by the Fabian Society and therefore lack the sound theoretical basis of Continental programs on the one hand, and the dogmatic rigidity and inflexibility of those programs on the other. There is no orthodoxy in the Labour Party—there is only a group of individuals voicing individual opinions.

Perhaps the author makes too much of this Marxian factor. He would explain by it not only the absence of any formal legislative or economic program, but also the opposition of English labor to such economically progressive steps as rationalization. Yet the strongest opposition came from the Labour College group, the Marxian group, which saw in the Mond-Turner conferences a class-collaboration definitely contrary to their class-war doctrines. The author might perhaps meet this objection by suggesting that it is only "half-baked" Marxism, or, as one of his fellow-countrymen found it, a queer combination of Marx, Freud, and Bergson. Yet the fact remains that whatever Marxian training did exist in England tended rather to oppose than to favor the rationalization conferences. Nor is he, perhaps, on sounder ground when he blames the absence of Marxism from Labour Party ideology for the fact that the Jewish intellectual plays no part whatsoever in the English party while he appears as a most prominent figure in Continental Socialism. The author here as in a few other places seems to fall into the very easy error of attributing characteristics to a large group on the basis of a small sample. The reason is perhaps rather to be found in the more favorable treatment, economic, social, and political, accorded the native Jewish intellectual in England. The more recent Jewish immigrants, living in the poverty and squalor of the East End, find the absence of Marxism no hindrance to going Labour; and Stepney has become almost as strong a Labour section as Bermondsey.

There is an illuminating discussion of the problem of the Independent Labour Party, which, having lost its reason for existence with the adoption by the Labour Party in 1918 of the principle of individual membership and a Socialist program, has deteriorated into a harmless,

if vociferous, society for the discussion of wild proposals which the Labour Party regularly rejects. His estimate of the importance of the I.L.P., as well as his predictions with regard to the Communist vote and the "flapper" vote, was well borne out by the election; and these successful predictions lend weight to his warning that the Labour Party must adopt proportional representation if it is to save England from an unbalanced political system and a consequent reaction towards Fascism or some other type of non-political action.

One of the best sections of the book is devoted to the individual leaders of the party. More so than on the Continent, where party dogma and not the individual is the important thing, the leader in England can catch the public eye and build up a personal loyalty which may be a very important factor in getting votes. MacDonald he calls the outstanding figure of International Socialism, like Lenin a legendary figure now, in whose shadow Snowden seems condemned to walk. Consideration is given not only to those who aspire to Parliament and the Cabinet, but also to "the varsity dons who .... have so far shown small political ambitions, but who for real influence in the Labour Party can vie with any dozen parliamentarians—the redoubtable quartet formed by G. D. H. Cole, Harold Laski, C. M. Lloyd, and R. H. Tawney..... Here, if anywhere, are the first-class brains of Great Britain."

The book would seem to be indispensable for any American who desires a real conception of the party which is in power in England today. The translation from the German original has apparently been done by the author himself, and the language is sometimes peculiar. Such expressions as "a new factor .... must have given them furiously to think" occur now and then; but one passes them by practically unnoticed in the midst of the many interesting viewpoints crowded into the book.

JOSEPH J. SENTURIA

Washington University

Unemployment: Some International Aspects, 1920-1928. Report presented to the twelfth session of the International Labour Conference, May-June, 1929. Studies and Reports, Series C, (Employment and Unemployment), No. 13. (Geneva: International Labour Office. London: P. S. King. 1929. Pp. vii, 222. $1.25.)

Previous studies and reports of the International Labour Office relating to employment and unemployment have been concerned mainly with the facts of unemployment and the preventive and relief measures devised in various countries. The present report is of a different character. It is not concerned with statistics of the extent of unemployment or with employment exchanges, unemployment insurances or pub-

lic works as a stabilizer of employment. It attempts rather to bring together and analyze some of those phases of unemployment which are distinctly international in scope and which require international action if they are to be properly dealt with.

The report does not pretend to be an exhaustive treatment of this rather neglected subject. It is a mere beginning; but as such it excellently serves its purpose of pointing out the characteristics in which unemployment is an international problem, and calling attention to the kind of information that is needed to give a proper view of the international aspects of the problem, and to serve as a basis for international action. It should also serve to stimulate many other studies in this direction.

Three questions are dealt with: (1) Unemployment and monetary fluctuations that are international in scope; (2) Unemployment in the coal mining and textile industries whose prosperity is dependent on a large export business; and (3) Unemployment and international migration. Coal and textiles are selected, not because they are the only industries in which unemployment is caused largely by fluctuations in international trade, but because these are outstanding examples of such industries, and considerable information is already available about the conditions in those industries.

The treatment of the first of the three subjects is the least satisfactory. Evidence is presented from seventeen countries to show that unemployment fluctuates with change in the price level, that it increases when prices fall as the value of the monetary unit rises, and that unemployment declines when prices rise as the value of the money declines. But this evidence is far from convincing, and the conclusion seems to be based far more on *a priori* reasoning from the quantity theory than on the tables and charts that are presented. Quite often the evidence is conflicting. This may be due to the inadequacy of the statistics that are available; or it may be due to the fact that such a factor as productivity of labor is more powerful in determining unemployment than is the change in the price level. The report hardly mentions this possibility. While the international action designed to stabilize the value of money which it recommends is no doubt a necessary and desirable measure for dealing with unemployment, there is little direct evidence in the report to prove the thesis.

The survey of the coal and textile industries, however, reveals ample proof that the fluctuations in employment in various countries are closely connected. In coal mining "every increase in employment in certain countries is accompanied by a decrease in others. In particular, as regards the three principal producing countries—the United States, Great Britain, and Germany . . . . the fluctuations in one of them were

always in opposition to those of the other two" (p. 64). In the textile industries, cotton, wool and silk, comparable statistics are not as available as in coal; and the rise of the artificial silk industry serves to complicate the facts of the international relationships of the industries. But the evidence is ample that depression and unemployment in the leading textile producing countries have been due to the development of producing facilities in the consuming countries, particularly India, Canada and Brazil, and also to increasing competition for the world trade from countries which have more recently developed their textile industries. The conclusion is inevitable that international action of some kind is necessary, if unemployment in these two great industries is to be eliminated or effectively reduced.

The geographical redistribution of coal and textile production emphasizes the importance of the redistribution of labor among the countries of the world. The last section of the report surveys the available information on migration of labor both restricted and unrestricted, and reviews the legislative and administrative measures adopted by various countries and the international agreements and treaties that have been made for controlling both emigration and immigration. Emigration is regarded only as a partial and somewhat haphazard remedy for unemployment.

W. M. Leiserson

Antioch College

NEW BOOKS

Adams, W. W. *Metal-mine accidents in the United States during the calendar year 1927.* U. S. Dept. of Commerce Bull. 310. (Washington: Supt. Docs. 1929. Pp. 96. 15c.)

Anderson, G. *Fixation of wages in Australia.* (New York: Macmillan. 1929. Pp. 568. $8.50.)

Beckner, E. R. *A history of labor legislation in Illinois.* (Chicago: Univ. of Chicago Press. 1929. Pp. xiv, 539. $4.)

This volume is one of the social science studies published under the auspices of the Local Community Research Committee of the University of Chicago. Professor Beckner has brought together a great mass of information concerning labor legislation in Illinois during the entire period of the state's history. The result is a study which is thoroughgoing and substantial. Though the text is often burdened with many details, it is enriched by frequent analyses of the forces affecting particular legislation. Especially valuable are the chapters on the legality of unions and their methods, hours of labor for women, mining legislation, and workmen's compensation. If such studies of labor legislation in other states were made, we should find ourselves possessed of a body of information which would make the drafting of laws and the approach of the student to the subject much more intelligent than at present.

The influences which have promoted labor legislation in Illinois have been summarized as follows by Professor Beckner: (1) The recent growth

of a welfare philosophy opposed to undesirable industrial conditions. (2) The development of labor legislation in other states and countries. (3) The growth of trade unions in number and power. In Illinois the State Federation of Labor, the Chicago Federation of Labor, and the Illinois Mine Workers have had great influence in securing legislation. (4) The fact that in certain instances committees representing both organized labor and the employers have united to obtain the passage of laws. This coöperation has been largely responsible for the mining and compensation legislation. (5) The effect of fortuitous events upon public opinion and the legislators. Thus the Braidwood disaster of 1883 and the Cherry Mine fire of 1909 had much to do with the enactment of laws protecting miners.

Three influences are described as most important in retarding the development of labor legislation: the opposition of employers, especially as represented by the Illinois Manufacturers' Association and the Associated Employers of Illinois; the failure of competing states to raise standards; and the attitude of the courts.

Among the improvements in the Illinois legislation which the author regards as essential are the increase in compensation benefits, the provision of legal aid for workers in compensation proceedings, the reduction of women's hours (ten hours per day and seventy hours per week are permitted at present), the passage of a law providing for one day's rest in seven, the legal requirement that mines be rock-dusted, the better coördination of the free employment offices, and the better administration of the laws. The mining code, the child labor laws, and legislation regulating health, safety and comfort in work places are of a high standard.

The volume has a bibliography, a table of cited cases, and a comprehensive index.

Edward Berman

Brissenden, P. F. *Earnings of factory workers, 1899 to 1927: an analysis of pay-roll statistics.* Census monograph 10. (Washington: Supt. Docs. 1929. Pp. xxi, 424.)

Clay, H. *The post-war unemployment problem.* (New York and London: Macmillan. 1929. Pp. x, 208.)

Fitch, J. A. *Capital and labor.* Reading with a purpose, no. 48. (Chicago: American Library Assoc. 1929. Pp. 34.)

Frain, H. L. *An examination of earnings in certain standard machine-tool occupations in Philadelphia.* (Philadelphia: Univ. of Pennsylvania Press. 1929. Pp. xiv, 85. $1.50.)

Gibbons, C. E. and Stansbury, C. T. *Child workers in Tulsa.* (New York: National Child Labor Committee, 215 Fourth Ave. 1929. Pp. 36.)

Hersch, L. *Seasonal unemployment in the building industry in certain European countries.* Reprinted from the *International Labour Review,* vol. XIX, nos. 1, 2, 3, 1929. (Geneva: International Labour Office. 1929. Pp. 74. 1s. 6d.)

Kuczynski, J. and Kuczynski, M. *Der Fabrikarbeiter in der amerikanischen Wirtschaft.* (Leipzig: C. L. Hirschfeld Verlagsbuchhandlung. Pp. 280. Rm. 9.)

Leese, C. *Collective bargaining among photo-engravers in Philadelphia: ordinary methods applied to an occupation which is both an art and a*

manual trade. (Philadelphia: Univ. of Pennsylvania Press. 1929. Pp. xiv, 220. $2.50.)

The Photo-Engravers Union in Philadelphia has been able to organize 95 per cent of the industry. While exact figures are not available for the entire country, Dr. Leese estimates that "about 70 per cent of the firms are under union agreement and 80 to 90 per cent of the workers are members of the union." The almost complete closed shop status of the industry in Philadelphia and in New York is not generally duplicated elsewhere, and therefore some of the conditions which prevail in these closed shop centers are not typical.

The author stresses certain outstanding features in the industry that are influential in determining the relative bargaining strength of employers and wage earners. Among such features are the following: the comparatively small amount of power driven machinery, accompanied by wages as the most important element of cost; the small size of the shop; a strong tendency toward price-cutting, especially by the smallest shops; on the part of a large proportion of managers, because of their having worked at the trade, an attitude of friendliness toward the union; a high degree of skill required on the part of the worker; a fairly prosperous and expanding industry which tends to center in cities of some size. Most of these characteristics of the industry strengthen the bargaining power of the union.

The union's position is further fortified through its control over apprenticeship, a five-year period being imposed, with a ratio of one apprentice to five journeymen. Again, although bargaining is local, the union has the advantage of centralized control and discipline from the international executive board; strikes, for example, which seldom occur, cannot be carried into effect without the approval of the international officials who are active in attempting to conciliate controversies before they lead to stoppages. Another aid to the union is that while the employers are associated for bargaining, their organization, the American Photo-Engravers' Association, is not as cohesive as the union. At the same time, complaint is expressed by the union that an employers' understanding exists that each shall refrain from offering an employee of a competitor a wage higher than the employee already receives. To the extent that this practice prevails, it is a method of preventing labor turnover which is objectionable to the union. All in all, however, the reader is impressed with the fact that the underlying circumstances which play a dominant rôle in shaping the labor relations in this small industry are far from typical of the industrial scene in the United States.

Collective bargaining, under the favorable conditions in which it functions in Philadelphia, by 1928 had achieved a weekly minimum of $60 for those engaged in the commercial branch of the industry, and $58 for those in the newspaper branch. That the minimum has not become the maximum is shown by the average of $65.51 per week in the commercial branch and of $63.72 for newspapers. In 1922 the minimum rates in the two branches were $45 and $48, respectively, indicating that substantially higher living costs were not needed as an incentive to induce the photo-engravers to utilize their bargaining power. The benefits of these high weekly rates are not greatly modified through loss of time, for the customary practice is for the employer to retain his employees on the pay-

roll, even though there is no work. The working week is forty-four hours, and a five-day week is being seriously considered by the union.

The author gives a good description of the technical aspects of the industry—in fact, more detail seems to be provided here than is necessary. There is a glossary, a bibliography and an appendix which includes the constitution and general laws of the international union. A minimum of interpretation characterizes the study; but Dr. Leese is constrained to close with a word of warning: "The recent increase in the number of open shops . . . . is evidence of what may happen should the union enforce unreasonable demands."

LYLE W. COOPER

MAHER, A. G. *Ohio wage earners in the manufacture of textiles and textile products, 1914-1927.* (Toledo: Information Bureau on Women's Work. 1929. Pp. 99. $2.)

The average annual earnings in 1927 in textiles and clothing industries of Ohio were $1,055 or 3.2 per cent more than in 1923. The cost of living was 1 per cent more for the country as a whole, so the most probable gain in real annual earnings was approximately 2 per cent. In the face of a general decline in numbers in the men's clothing industry, Ohio shows an appreciable gain. The year 1927 was not a good year for this industry, and the average annual earnings amounted to only $986 or 6.5 per cent less than the 1923 average. For the women's clothing industry, the average was $1,229 or 5.2 per cent more than in 1923. This was a shrinkage of 2 per cent, however, from the average for 1926. While the median rate of women was 52 per cent of that of men in Ohio as a whole, in women's clothing the median was 42 per cent; in men's clothing 59 per cent; in hosiery and knit goods 66 per cent; and for all textiles and textile products 62 per cent. The study as a whole justifies the confidence which students of the wage question have come to place in Miss Maher's work.

PAUL H. DOUGLAS

MULLER, H. M., compiler. *Government fund for unemployment.* Reference shelf, vol. VI, no. 5. (New York: Wilson. 1929. Pp. 169. 90c.)

WATKINS, G. S. *Labor problems.* Rev. ed. (New York: Crowell. 1929. Pp. xvi, 726. $3.50.)

WERTHEIMER, E. *Portrait of the Labour Party.* (London and New York: Putnam. 1929. Pp. xxiii, 215.)

WHITE, L. D. *The prestige value of public employment in Chicago: an experimental study.* (Chicago: Univ. of Chicago Press. 1929. Pp. xix, 183.)

WICKENS, C. H. *Labour report, 1927.* No. 18. (Melbourne: H. M. Stationery Office. 1928. Pp. 187.)

Age limitations in industry: statements of fact and opinion. (Princeton: Princeton University, Industrial Relations Section. Pp. 34.)

A useful compilation of excerpts from books and periodicals with bibliography. No attempt is made to interpret the data.

Average annual earnings in Ohio, 1915-1928 inclusive. (Toledo: Information Bureau on Women's Work, 305 Commerce Guardian Bldg. 1929. Pp. 8.)

Bibliography of the International Labour Organisation, 1928. (Geneva: International Labour Office. 1929. Pp. 27. 1s.)

The five-day week in manufacturing industries. (New York: National Industrial Conference Board. 1929. Pp. xi, 69. $1.50.)

Gesetz zur Änderung des Gesetzes über Arbeitsvermittlung und Arbeitslosenversicherung vom 12 Oktober 1929 und Bekanntmachung der neuen Fassung des Gesetzes über Arbeitsvermittlung und Arbeitslosenversicherung vom 12 Oktober 1929. Beilage zum Reichsarbeitsblatt 1929, Nr. 30. (Berlin: Das Reichsarbeitsblatt. 1929. Pp. 98.)

History of wages in the United States from Colonial times to 1928. U.S. Bureau of Labor Statistics, Bull. 499. (Washington: Supt. Docs. 1929. Pp. vi, 527. 80c.)

This volume meets a long-felt need for some one source which would contain the data on wage rates which have been published by the Bureau of Labor Statistics for the period from 1840 to the present. It also includes an interesting section on wages prior to 1840 which has been compiled from a large number of secondary and original sources. The data published for the later period are, however, primarily wage rates rather than the actual earnings of the employed; and there is still need for more of this latter type of material.

A general index of hourly wage rates for "all industries other than agriculture" is published for the years from 1840 to 1926, although the methods followed in obtaining it are not stated. If the average for 1913 be taken as 100, the averages for the decennial years are:

1840	33	1890	[illegible]
1850	35	1900	73
1860	39	1910	[illegible]
1870	67	1920	234
1880	60	1926	229

PAUL H. DOUGLAS

International Labour Conference, fifteenth session. Questionnaire I. *The regulation of hours of work on board ship.* Questionnaire II. *The protection of seamen in case of sickness, including the treatment of seamen injured on board ship.* Questionnaire III. *Promotion of seamen's welfare in ports.* Questionnaire IV. *The minimum requirement of professional capacity in the case of captains, navigating and engineer officers in charge of watches on board merchant ships.* (Geneva: International Labour Office. 1929. Pp. 42, 73, 23, 24.)

The Labour Party: report of the twenty-ninth annual conference, Brighton, 1929. (London: Labour Party. 1929. Pp. 316.)

Ohio State Federation of Labor: proceedings of the forty-sixth annual convention. (Columbus: Ohio State Federation of Labor. 1929. Pp. 119.)

The regulation of hours of work on board ship: supplementary report. International Labour Conference, thirteenth session. (Geneva: International Labour Office. 1929. Pp. 19.)

Report of the First Triennial Congress of the International Industrial Relations Association held at Cambridge (England), July, 1928, on the subject of fundamental relationships between all sections of the industrial community. Section II. (The Hague: International Industrial Relations Assoc., Javastraat 66. 1929. Pp. 417.)

This section is divided into six parts, only four of which are of general interest: (a) lectures; (b) round table discussions, opening addresses;

(c) general discussion on the subject of relationships within the industrial establishment; and (d) a concluding summary by Miss Mary van Kleeck. All but two of the general discussions are in English, having been either originally written in that language or translated.

Many different points of view are presented, and one's interest in any one of the articles will depend to a great extent upon his special field. If there is a thread running through them, it is the importance of psychology and a hope, perhaps at present too sanguine, that it will be the Moses to lead us out of our difficulties in industrial relationships.

Dr. Delisle Burns believes the present wage system with its uncertainty of tenure and small payments at frequent intervals leads to a lack of thinking in terms of the future. But is not uncertainty of tenure just as likely to compel one to think in terms of the future? Dr. Burns overstresses the many holders of a few shares of stock without pointing out that the few holders of many shares control industry and that they are a problem. Fortunately, unlike many social historians, he has no desire to return to the gild system. In fact he sees little difference between the medieval period and our own, for he says (p. 66): "The curse of modern life is that we have exchanged the smells of the Middle Ages for the noises of the twentieth century."

Dr. Frieda Wunderlich points out some of the more important problems which should be and are being attacked by the economist. She would bring about (p. 95, note) "international coöperation between the institutes of business research of all important countries . . . . and the uniformity of methods which the institutes use."

Messrs. Geddes and Branford, in contrasting rural and urban thought, raise a point of interest to the economic historian when they argue that the communalism of Eastern law is necessitated by rice culture, while wheat culture is responsible for the individualistic Western law. There is grave danger here of oversimplifying causation.

Miss Van Kleeck skillfully summarizes the whole report at the end. However, no summary can adequately embrace all the points brought out in the lectures and discussions. One must read the lectures and discussions before he can appreciate the summary.

One general criticism may be made that, with one exception—the round table discussion of Dr. Vernon—statistical method seems to have no place in industrial relations. It is our opinion that, for the near future at any rate, statistics and statistical method furnish a far more satisfactory means of analyzing the problems met in industrial relations than psychology, which is also relying more and more upon it.

L. Edwin Smart

Die Tarifverträge im Deutschen Reiche am 1 Januar 1928, nebst einem Anhang: Die Reichstarifverträge am 1 Januar 1929. 47 Sonderheft zum Reichsarbeitsblatt. (Berlin: Reichsarbeitsministerium. 1929. Pp. 12*, 47.)

United States Board of Mediation: annual report for the fiscal year ended June 30, 1929. (Washington: Supt. Docs. 1929. Pp. 48. 10c.)

The Wood, Wire and Metal Lathers' International Union: proceedings of the sixteenth convention. Supplement to the *Lather,* October, 1929. (St. Louis, Mo.: Von Hoffmann Press. 1929. Pp. 214.)

Money, Prices, Credit, and Banking

The Imperial Dollar. By HIRAM MOTHERWELL. (New York: Brentano's. 1929. $3.50.)

Mr. Motherwell has given us a keen analysis of the process by which the United States in a little more than a decade, from being the largest borrowing nation in the world has become the largest lending nation. He traces the beginning of our loans abroad to a mere trickle of money which began to flow to Hawaii in 1875, culminating in a situation which resulted in making the islands an appanage of the United States in 1893. Soon our growing export trade developed conditions which made investments in various parts of America profitable. By 1899 we had invested $150 million in Canada, $185 million in Mexico, $45 million in South and Central America and $50 million in Cuba. The result of the war with Spain in 1898 was greatly to increase our investments in Cuba and to carry our flag and our money to the Philippines. The building of the Panama Canal and the exigencies, political, commercial and financial, of that event led to a marked change in the foreign policies of official America.

It brought about a reversal of our attitude towards the forcible collection of international debts. As our investments abroad increased, the traditional American attitude derived from that of the private money-lender: "Be careful whom you lend to; if he goes bankrupt it is your fault for having trusted him," materially changed. This led to our interference in Dominican affairs in 1905. It will be remembered that Santo Domingo was defaulting on its foreign debts; and it seemed likely that Italy and France would take military action to collect. Then it was that Roosevelt drew up a protocol with the Republic of Santo Domingo under which the United States should collect Dominican customs and control Dominican finance for the benefit of the Republic's creditors; and when Congress refused to ratify the protocol, he put it in effect by "executive arrangement."

It is true that this action was taken because of our obligations under the Monroe Doctrine; but it was a new development even in such connection and presaged the position which shortly we should be compelled to take—or shall we say, did take—in connection with our own investments in countries to the south of our boundary lines. The author points out that, in the history of most modern empires, the scramble for raw materials has been one of the effective, perhaps the most effective of the causes of war. However, because of our great supplies of most raw materials we did not feel this urge until about 1911 when the supreme importance of motor oil for transport on land and sea began to dawn on everybody. It was then that British and American inter-

ests clashed in Mexico leading up to President Wilson's intervention in Mexican domestic politics. However, the only motive which at that time could justify national expansion was the promotion of morality.

Then came the Great War. The return of our evidences of indebtedness by Europe in payment for munitions of war, with consequent large shipments of contraband goods overseas, led to clashes with first one group of belligerents and then with the other. Direct loans, chiefly to the allies, also paid in goods, increased the shipments and the attacks upon merchant vessels carrying them. These conditions inevitably brought us into the conflict. Then it was that the "political loans" by America made available a flood of munitions; and our direct expenditures in raising, equipping, and transporting to the seat of war, a great army of men, finally decided the conflict in favor of the allies.

The most interesting part of Mr. Motherwell's book begins at this point. His analysis of how the war affected Europe's economic status well repays careful reading. Motherwell has the facility of telling facts with which many of us are quite familiar in a way which illuminates them and puts them in a new setting. The needs of Europe gave America her opportunity for a vast trade expansion. "At the precise historic moment when the question, who should command the machine age, hung in the balance, America went into high; Europe went into reverse. That decided where empire would henceforth reside."

However, this trade expansion was made possible only by a corresponding expansion of our foreign loans. In short, perforce, we adopted England's policy of expanding trade by financing it and then by ploughing back profits in the shape of interest and dividends. The story of the post-war development of our foreign trade and the effects upon our industries, upon labor, and upon home and world financial conditions is well told, and what happened is developed. The adjustments made necessary in our pre-war policies are listed as follows: The policy of the high tariff, which one would have supposed would be the first to be scrapped when the United States became an exporter of industrial commodities, has persisted unimpaired. The reason the author finds to be in that surprising faculty of the machine to despise production costs if only it can be sure of an ever-widening market. Isolation has been scrapped entirely. Reciprocity has been scrapped as a principle, retained as a convenience. Free immigration has been scrapped. The Monroe doctrine has been retained and greatly enlarged. The open door is retained with reservations, and freedom of the seas has been scrapped in reality.

The author discusses empire, asking what it is. He answers: "Empire is exclusive influence exercised by one nation over another politically distinct nation or community." He tells us that "the imperial mind is

more humane than the nationalist mind. In a nationalist, altruism is a virtue, in an imperialist, it is a necessity." Finally, "the characteristic of national sovereignty is the power to declare war. The characteristic of imperial sovereignty is the power to impose peace."

As a result of our already great investments abroad, and because it is to our material interests to promote still further our export trade, "America's power should be used to promote purchasing power everywhere" and it "should be used to preserve peace everywhere."

The reviewer commends the book unqualifiedly as the sanest, the clearest, the best thought-out study of the subject of our investments abroad.

HARVEY E. FISK

Bankers Trust Company

The Small Loan Situation in New Jersey in 1929. By WILLFORD I. KING. (Trenton: New Jersey Industrial Lenders' Association. 1929. Pp. 101.)

Since 1914 New Jersey has authorized small loan companies to operate along the lines laid out in the Uniform Small Loans act suggested by the Russell Sage Foundation. An amendment to this law provides that after February 15, 1930, the interest rate for such companies shall be reduced to 1½ per cent monthly. In this emergency the Lenders' Association secured Dr. King to make an independent study and appraisal of the operation of such companies, their hope being to secure the repeal of the amendment of last year.

This is the most comprehensive and sympathetic study of the small loan business in any state to come to the attention of the reviewer. In the large, Dr. King seems to have made out a strong case for the existence of such lending agencies. His study gives a graphic and a statistical picture, using the sampling process, of what these companies have done in New Jersey. The author finds that the average loan made to an individual in New Jersey is approximately $170. At any one time one family in eight in the state of New Jersey is a borrower from a small loan company. The average loan extends for a period of 284 days, and the interest charge amounts to $29.01, thus representing 17 per cent of the amount borrowed.

Any organization which extends its services to so large a number as do the loan companies in New Jersey is evidently filling a gap in our financial agencies; and legislation which might eliminate such companies should be enacted with great caution. Dr. King shows that these companies lend to people who, in general, have not open to them other avenues of credit. The various companies in New Jersey, through an exchange of information, prevent the "doubling-up" by individuals who borrow from a number of companies at any one time. This seems to be

necessary if the purpose underlying the limit of loans to a maximum of $300 to any one individual is to be fulfilled. The author finds that the personnel of loan companies is of a high order and that the officials have a real desire to assist their clients in working out a sound financial plan for themselves. The loans, in general, are made for the purpose of meeting current expenses and any emergencies that may arise. In an economic organization so complex as that of the present it is inevitable that emergencies will arise and it is highly desirable that the community provide some means which can lend assistance without pauperizing its beneficiaries. Not only do the companies aid borrowers, but indirectly they enable merchants and professional men to collect accounts which otherwise might have to be written off as losses. Hence the business community and the professional world, as well as the borrowers, are benefited by the existence of these agencies. The reviewer concurs with Dr. King in the general view as to the benefits to be derived from small loan companies. However, as is inevitable in any agency so new, the small loan company can probably function in a more helpful manner if some of the present defects are eliminated. While concurring in the general conclusion, the reviewer wishes to call attention to a number of points made by Dr. King on which there may well be a difference of opinion. Limitations of space make it necessary to enlarge upon these points out of proportion to their relative significance.

Dr. King holds that 3 per cent monthly is needed to induce capital to enter this field and that in the end competition will reduce the rate to the minimum (p. 73). This overlooks the effect of competition to reduce the volume of business for any one concern and thus to increase overhead expenses. The wastes of competition help to explain the necessity for the present rate. It will be noted that the New Jersey rate is ½ per cent less than the 3½ per cent of the Uniform Law in most states. Dr. King himself suggests the possibility of a lower rate when he says (p. 75) that this cannot be unless the notes are indorsed "and unless also the business were conducted on a very large scale." Why not reduce the number of companies and accomplish this end?

The author admits that the loan companies sometimes injure their customers by "inducing them to buy beyond their means" (p. 77). It is also shown that some managers are glad to lend so long as they believe the prospects good for collection of the loan, regardless of the use to which it has been put (p. 97). No method has yet been devised to prevent these evils. Perhaps the reduction in the number of companies would make the solicitation of this type of business less necessary for the lenders. The investigation shows that the New Jersey borrowers are in general satisfied with the 3 per cent law (p. 79). To the reviewer this

is not conclusive justification for it. (See "note" by reviewer in AMERICAN ECONOMIC REVIEW, December, 1929, p. 645.)

Another disturbing factor is shown by the large number of loan renewals in New Jersey. Of 176 borrowers interviewed by an investigator 78 had borrowed one or more times previously (p. 83). It is not desirable that people borrow continuously at this rate of interest and thus reduce their consuming powers, no matter how justifiable occasional loans may be. It is unfortunate that the report does not throw more light on the extent to which there are "continuous" borrowers.

Mr. King touches a vital point when he says that the high rate enables the companies to lend to people who are "well down on the credit-risk scale." One may ask whether such lending is socially desirable.

CLYDE OLIN FISHER

Wesleyan University

NEW BOOKS

ANDERSON, B. M., JR. *Bank consolidations in a period of speculation.* Chase Econ. Bull., vol. IX, no. 5. (New York: Chase National Bank of the City of New York. 1929. Pp. 12.)

ANGELL, N. *The story of money.* (New York: Stokes. 1929. Pp. xvi, 411. $5.)

"This is not a treatise on monetary theory, nor is it a history of the technical developments of monetary practice or of banking," writes Mr. Angell (p. v). "It is a story, written for the layman, of man's experience with the device of money." The reason it concerns the layman is that "we are now facing a monetary revolution" and it is hoped that "the story told here may serve as an introduction to a knowledge becoming every day more necessary" (p. 1). The volume contains 14 chapters of moderate length, the eleventh, on "Money in America from Hamilton to the Federal Reserve," being written by Mr. Louis Rasminsky, Toronto, and the last, "The great monetary problem: What the experts say," by Mr. H. V. Hodson, Oxford. The format of the book is excellent. There are 53 interesting illustrations, two of which, however, are incorrectly labeled. The American half cent (Fig. 1) should be copper, not bronze, and the ten cent note (Fig. 49) is not a bank note but United States fractional currency. The work is not intended as an original contribution, quotations from various authorities being scattered freely throughout the text.

This volume has two outstanding defects. First, it lacks continuity. The narrative has scarcely got under way before the attention of the reader is diverted to a presentation of the absurd but conflicting theses of Alison and Del Mar (chap. 6), to a discussion of mercantilism, reparations, and alchemy (chap. 7), to a discourse on usury (chap. 8), and to a description of early European banks and financiers (chap. 9), to be brought back to a sketch of paper money experiments (chap. 10) only after this lengthy interlude. The second shortcoming is that much of the material treated lies outside the scope of a book of this title. The discussion of reparations is excellent, the description of the early financiers absorbing; yet it is difficult to see how they fit into the picture. The same is true of a number of other topics. The book is not a story of money,

but a series of essays on a variety of financial subjects. If Mr. Angell's intent has been to clear up the lack of understanding which surrounds the subject of money in the mind of the layman, he has, it seems to me, failed to accomplish his purpose. His wide ramifications into irrelevant fields, coupled with an almost complete lack of orderly arrangement of his material, can scarcely fail to leave the lay reader more confused at the end of the narrative than he was at the beginning.

The criticisms just adduced seem to me to be justified in view of the author's professed purpose in writing the book. Taken as a collection of economic essays, on the other hand, a great many of the chapters will prove both interesting and instructive to the lay reader who is unfamiliar with the topics there treated.

The final chapter of the book provides a real contribution, although possibly not the one intended by the author. By setting forth the great conflict of opinion among the "experts" on the subject of monetary reform, it will serve to convince the reader that Professor Taussig's conclusion of seventeen years ago in connection with the "Compensated Dollar" (*Q.J.E.*, May, 1913) is still valid, namely, "that this [or any other] proposal for radical change gives better opportunity for ingenious intellectual exercise than for practical efficacy."

Frederick A. Bradford

Baster, A. S. J. *The imperial banks.* (London: P. S. King. 1929. Pp. vii, 275. 12s. 6d.)

Dick, E. *The problem of interest in its relation to currency and debt: seven essays.* (London: Williams & Norgate. Pp. 381. 18s.)

Dilnot, G., editor. *The Bank of England forgery.* Famous trials ser. (New York: Scribner. 1929. Pp. 274. $2.)

Dunbar, C. F. *The theory and history of banking.* 5th ed. rev. by O. M. W. Sprague. (New York: Putnam. 1929. Pp. 328. $2.)

Hahn, L. A. *Geld und Kredit.* New ed. (Tübingen: Mohr. 1929. Pp. vi, 278. M. 10.80.)

Albert Hahn is a banker with sufficient understanding of monetary theory to evaluate the German monetary experiences of the post-war period and to relate those experiences to theoretical analysis. The present collection of essays is composed of articles published from 1923 to 1928, and follows a similar collection made five years ago. The essays in this new volume deal with such topics as the introduction of the Rentenmark, Reichsbank policy, the German monetary standard before and after stabilization, the tax on capital gains, business cycle theory and its relation to bank balances, protective duties and the balance of trade, the shortage of capital, and the relation of stock exchange credit to industry. While Mr. Hahn deals with familiar ideas, his manner of presentation and especially his ability to relate theory to actual experience make the collection valuable to monetary theorists and to those desirous of knowing what has happened to the monetary standard of Germany in recent years.

Clark Warburton

Hazlewood, C. B. *The bank and its directors.* (New York: Ronald. 1929. Pp. ix, 251. $3.50.)

Jain, L. C. *Indigenous banking in India.* (New York and London: Macmillan. Pp. 274. $6.)

KRISHNAMOORTHY, O. S. *Indian practical banking: a short treatise on the day-to-day working of modern Indian joint-stock banks.* (Bombay: Taraporevale Sons & Co. Pp. 137. Rs. 2.)

LEWIS, A. B. *Melanesian shell money in Field Museum collections.* Pub. 268, anthropological ser., vol. XIX, no. 1. (Chicago: Field Museum. 1929. Pp. 61.)

MACKMURDO, A. H. *Money and credit of the future, and other essays.* (London: P. S. King. Pp. 87. 2s. 6d.)

POSE, A. *De la théorie monétaire à la théorie économique.* (Paris: Recueil Sirey. 1930. Pp. 183. 30fr.)

PRICE, L. L. *Money: and its relation to prices.* (London: Allen & Unwin. Pp. 214. 5s.)

RAMON, G. *Historique de la Banque de France d'après les sources originales.* (Paris: Bernard Grasset.)

RICHARDS, R. D. *The early history of banking in England.* (London: P. S. King. 1929. Pp. xx, 319. 15s.)

ST. LEWINSKI, J. *Money, credit and prices.* (London: P. S. King. 1929. Pp. x, 149. 7s. 6d.)

STRONCK, H. N. *Bank administration.* (New York and Chicago: Rand McNally & Co. 1929. Pp. 230.)

SUGG, A. G. *The arithmetic and practice of the foreign exchanges.* (London: Pitman. 1929. Pp. 114. 3s. 6d.)

TIPPETTS, C. E. *State banks and the federal reserve system.* (New York: Van Nostrand. 1929. Pp. viii, 393. $4.)

Mr. Tippetts presents a careful and complete history of the relationship between state banks and the federal reserve system. The subject is particularly timely in view of recent losses of resources by the national banking system, through withdrawals, mergers, and consolidations. Reduction in the number of national banks has had the consequence of giving an increasing proportion of member banks the option to belong or not to belong to the federal reserve system as they see fit. This makes especially opportune a consideration of the history of the attitude of state banks toward the federal reserve banks, and of the motives that have influenced them to join or not to join the reserve system.

As a *leitmotif* throughout Mr. Tippetts' book one is impressed by the thought that state banks refrain from joining the federal reserve system primarily for the reason that they can receive practically all the benefits of the system without becoming members and thus avoid any expense and additional supervision to which members are subjected. Reduction of reserve requirements by the Federal Reserve act has been reflected in material decreases in the requirements imposed upon state banks, which have thus received the benefits resulting from the economy of reserves made possible by the system. But more important than that, the existence of the system has provided a safeguard to all banks, both member and nonmember, against occasional financial panics and more frequent seasonal and other temporary stringencies which beset the path of American bankers prior to 1914.

It becomes apparent from a study of Mr. Tippetts' book that a large majority of the state banks would join the system if they felt that its existence would otherwise be in danger. In fact, an inquiry of that sort made of the banks by the American Bankers Association in 1924 brought out

the fact that the overwhelming majority of the banks would join the system if they felt that their support was necessary to its existence. Students of finance are indebted to Mr. Tippetts for his painstaking and careful exploration of a subject that is both difficult and complex and raises questions of fundamental significance to the American banking system.

E. A. Goldenweiser

Willis, H. P. and Bogen, J. I. *Investment banking.* (New York: Harper. Pp. 541. $5.)

An analysis of earning assets of Chicago banks. Bull. no. 28. (Urbana: Univ. of Ill. 1929. Pp. 59.)

The labor banking movement in the United States. (Princeton: Princeton University, Industrial Relations Section. 1929. Pp. xi, 377.)

The movement for a sounder money. (New York: Stable Money Assoc., 104 Fifth Ave. 1929. Pp. 54.)

Brief articles by Owen D. Young, Norman Lombard, Frederic A. Delano, Sir Josiah C. Stamp, Henry Fuss and Carl Snyder.

Public Finance, Taxation, and Tariff

Public Budgeting: A Discussion of Budgetary Practice in the National, State and Local Governments of the United States. By A. E. Buck. (New York and London: Harper. 1929. Pp. x, 612. $6.00.)

This is an admirable and comprehensive study in financial administration. Its opening chapters are somewhat unsuccessful in their attempt to instruct the reader in the significance of public budgeting and in some of the steps in the history of the budget movement and legislation. Following these, however, the work finds its eventual and logical stride through five hundred pages which describe in turn a formidable number of essential features of modern budget practice. No other American writing on the subject has been so complete or has shown as adequately the larger problems of administrative statesmanship interwoven with the technique of budget processes. Only René Stourm and Gaston Jèze and other writers in Europe have had comparable ideas as to the scope of a treatise on the budget.

The volume has three principal parts: "forms and information," "procedure," and "execution of the budget." The titles of these divisions and the topical arrangement of the text, suggest that the preface understates the fact in calling the book "something of a manual for the administrator and the technician." Citations of existing practice are used frequently and skillfully throughout the work; but the preface seems to claim too much in suggesting that it is "a more or less complete picture of budgetary practice in national, state, and local governments in the United States." The inclusion of the important part

dealing with the execution of the budget, or in other words, with financial administration in general in its relation to the budgetary processes, is significant of the interests of present-day budget students.

The author of *Public Budgeting* is one of the principal members of the staff of the National Institute of Public Administration in New York, and his book is presented with acknowledgments to "certain forerunners" who have been pioneers in American budgetary development. The work is, in fact, a drawing together of the technique which has been developed in his institution of research and elsewhere. In 1920 Mr. Buck was associated with Dr. Frederick A. Cleveland in the authorship of *The Budget and Responsible Government*,[1] and he has written other books concerned mainly with the practical aspects of budgeting.

While, therefore, the content of *Public Budgeting* represents not only the conclusions of the author but in large part those of other authorities in this field, there are a number of assertions throughout the text which are likely to be disputed by many readers. A few refer to the following problems: the approval of continuing appropriations (p. 126); the policy of imposing restrictions upon the use of lump sum appropriations (p. 131); the use of transfers (pp. 135, 488); the use of the technical staff which prepares the budget as a legislative staff agency (p. 380); organization for "administrative" and "independent" auditing (pp. 532, 551).

HUGH J. REBER

Washington, D.C.

Taxation in the Modern State. By ALZADA COMSTOCK. (New York: Longmans Green. 1929. Pp. vii, 240. $2.00.)

The World War had a profound and lasting effect upon public finance; but, while much has been written of war finance, too little recognition has been given to the permanent changes which the war appears to have imposed upon the financial systems of nations. As the example nearest to hand, consider the revolutionary change in the tax system of the United States federal government, from almost complete reliance upon indirect taxes, half tariff and half internal revenue duties on liquors and tobaccos, to a system in which direct taxation, as represented by income and estate taxes, contributes more than half the revenue, while customs and excises together furnish a bare third. It is safe to say that this represents a permanent readjustment of our federal tax system.

The author of this book ventures a courteous rebuke to the American writers of books on public finance for their neglect of important tax

[1] The Macmillan Company.

developments since the war, particularly in Europe, a rebuke which most of us, I believe, will have to admit is just. The sales tax, for example, has suddenly stepped into an important rôle in many nations, almost without our notice.

This book brings to our aid in the task of appraising post-bellum tax development a valuable collection of materials relating to the leading countries of Europe and North America. The author has evidently taken advantage of her unusual opportunities to become acquainted with official sources of information offered by various European governments and the League of Nations, and has presented both an interesting record for the casual reader and a stimulating invitation to the student to pursue the subject further. The very numerous references to the sources are useful; and the bibliographical notes which conclude the several chapters are models of what such notes should be, not mere lists of books, but helpful guides to the student.

It must be admitted, I think, that the book represents a collection of materials, pieced together by running comment, rather than a well-rounded discussion of the whole subject implied in the title. From this point of view the material, while strong in some departments, is weak in others, the evidence has not been fully digested, and there are marks of superficial analysis and hasty writing. Thus the comparison of tax burdens in the principal countries (see especially Chapter IV) loses much of its value through the absence of the figures of state and local taxation. The discussion of public debt charges leaves the reader in confusion on account of the failure to distinguish clearly between payments of interest and debt retirement. For example, on page 15 figures for Great Britain, called both "debt interest" and "debt charge," are compared with a supposedly corresponding figure of $1,900 million dollars for the United States, without noting that more than a billion of this amount was actually devoted to retirement of debt. The treatment of the United States income tax is far from adequate; and the discussion of the sales tax, while presenting much that is fresh and to the point, contains some contradictions and lacks definite conclusion on vital points.

But failure to find some things which we might have liked should not detract from the real value of what is here presented. No American student of public finance can afford to neglect this book; and I am confident that it will do much to stimulate a more catholic appreciation of the modern problem of taxation. The book is well written; and its appeal should by no means be limited to the technical students of public finance.

Fred Rogers Fairchild

Yale University

NEW BOOKS

Brooks, W. C. *The theory and practice of finance.* (London: Pitman. 1929. Pp. 411. 10s. 6d.)

Chapman, H. H. *The forest counties of Minnesota: tax base continued, tax rates, and tax burden on wild land.* Progress report of the Forest Taxation Inquiry, no. 5. (Washington: Supt. Docs. 1929. Pp. 28, mimeographed.)

Jessen, A. *Finanzen und Steuern: ein Nachschlagebuch für Theorie und Praxis.* (Halberstadt: H. Meyer. 1929. Pp. xxxii, 249.)

Kelsey, R. W. *The tariff.* Rev. ed. (Philadelphia: McKinley Pub. Co. 1929. Pp. 32.)

Leland, S. E. *The taxation of intangibles in Kentucky.* Bull. of the College of Commerce, vol. I, no. 1. (Lexington: Univ. of Kentucky. 1929. Pp. 50.)

An intensive study showing the operation of a low rate tax on intangibles.

Lutz, H. L. *Public finance.* 2nd ed. (New York: Appleton. 1929. Pp. xv, 759. $4.)

Mallet, B. and George, C. O. *British budgets, second series, 1913-14 to 1920-21.* (New York and London: Macmillan. 1929. Pp. xxii, 407. $8.)

Maupas, G. *Le prélèvement sur le capital (étude économique).* (Paris: Recueil Sirey. 1929. Pp. 254. 30fr.)

This is a well-conceived sketch of the theoretical arguments for and against the use of the "capital levy," followed by a review of the instances in which it was employed in post-war Europe. What it lacks in exhaustiveness, it makes up for by clear presentation of technical fiscal problems and balanced appreciation of the social and political significance of this financial instrument. The review of experience brings out clearly that the difficulties of application proved themselves so serious that the authorities in every instance modified their purpose in face of fact; they modified the weight, or period of collection, of this special levy on wealth so that it became a rather ordinary super-tax in the final event. Its use as a means of stopping cumulative inflation was defeated by the protracted delays which arose. Though this volume does not attempt to follow far down the paths of economic cause and consequence, of which this subject is a natural focus, it is distinctly useful in demonstrating how complex are the difficulties inherent in a proposal which derived part of its attraction from its simplicity. In all of the cases studied, it should be observed that emergency conditions prevailed, that the tax administration was demoralized, the currency depreciated, and industry badly maladjusted, before the levy was proposed. The results under contrary circumstances might be very different. But the "capital levy" is, in its very nature, a measure reserved for emergencies.

Herbert Feis

Niyogi, J. P. *The evolution of the Indian income tax.* (London: P. S. King. 1929. Pp. viii, 326. 12s. 6d.)

This book, approved as a doctoral thesis in the University of London, is a capable piece of work. Its style is lucid and vigorous. The author is thoroughly conversant with modern theories concerning income taxation and with British income tax administration. Many of his pages are given to a comparison of British and Indian practices.

It is remarkable that a country with the slight industrial development

of India should be among the pioneers in the use of income taxation. In 1860, to meet fiscal difficulties arising out of the Sepoy Mutiny, an income tax was introduced. Repealed in 1865, it was tried again 1869-1873. Again reimposed in 1883, the tax has lasted to the present. From 1883 to 1914 changes in the measure were few; after 1914 they were many and important, and two-thirds of the book are given to this recent period.

The Indian income tax has always been modeled upon that of Great Britain; and alterations have made this likeness more pronounced. There are differences and some of these, *e.g.*, levying a tax on corporate income, are approved by Mr. Niyogi. However, in the main, dissimilarities are criticized.

Two of these merit special attention. In India, since 1886, income from agricultural rents and profits is exempt from income tax. The author examines first the case of the permanently settled areas. He believes that the existence, in 1886, of cesses on land partly justified the exemption; but with the abolition of cesses for provincial purposes, the exemption is no longer proper. In the temporarily settled areas, where land revenue is subject to periodical revision, the need for income taxation is not so great. But even here Mr. Niyogi thinks that higher agricultural incomes should be more heavily taxed because, on the present basis, recipients of large rents pay only a small portion of these to the state.

A second striking dissimilarity which is criticized is that in India there is no allowance for marriage or for children.

Numerous other suggestions for reform of the Indian tax are made; and in one instance Mr. Niyogi draws upon practice in the United States. He advocates greater use of information at source. This point seems to the reviewer to be of special interest. Collection at source is used extensively in administering the Indian tax. But for several sorts of income this device cannot be used and assessment must be made in some other way. In India individuals are required to make returns, and mild penalties are inflicted if they do not. However, many assessees take a chance that they will be overlooked. A table given on p. 248 discloses that the number of inaccurate returns and of returns which had to be called for by officials is astonishingly large. Mr. Niyogi hopes that heavier penalties, use of information at source, and publicity may improve the situation. Improvement certainly seems necessary. When evasion is both systematic and extensive, the tax falls with special weight upon income taxed at source and upon income which is honestly declared. The burden of the tax is then irrationally distributed and morale of the taxpayers must be impaired.

J. A. Maxwell

Rankin, E. R., compiler, *The classification of property for taxation: debate handbook.* Univ. of North Carolina ext. bull., vol. IX, no. 4. (Chapel Hill: Univ. of North Carolina Extension Division. Pp. 93. 50c.)

Sack, A. N. *La succession aux dettes publiques d'état.* (Paris: Librairie Hachette, 79 Boulevard Saint-Germain. 1929. Pp. 184.)

Smith, N. S. *The structure and working of the Australian tariff, with particular reference to empire marketing.* (London: P. S. King. Pp. 77. 2s. 6d.)

SWIFT, F. H. and ZIMMERMAN, B. L. *State school taxes and school funds and their apportionment: a report on the practices of the forty-eight commonwealths constituting the United States of America.* Bureau of Educ. bull. no. 29. (Washington: Supt. Docs. 1929. Pp. 439. 50c.)

The Australian tariff: an economic inquiry. (London: Macmillan. Melbourne: Melbourne Univ. Press. Pp. xvii, 232. 3s. 6d.)

Federal tax course, 1930. (New York: Prentice-Hall. 1930. Pp. 250. $10.)

Financial statistics of cities having a population of over 30,000, 1927. (Washington: Supt. Docs. 1929. Pp. 503. $1.25.)

General sales or turnover taxation. (New York: National Industrial Conference Board. 1929. Pp. xv, 204. $2.50.)

Message of President of United States transmitting budget for service of fiscal year ending June 30, 1931. (Washington: Supt. Docs. 1929. Pp. 1504. $2.)

Reconstruction of Virginia's tax system: review and analysis. Doc. no. 5. (Richmond: Virginia State Chamber of Commerce. 1929. Pp. 58.)

The taxes of the state and its political subdivisions, 1901-1928. Bull. no. 33. (Madison: Wisconsin Tax Commission. 1929. Pp. 24.)

Population and Migration

NEW BOOKS

CARRUTHERS, W. A. *Emigration from the British Isles, with special reference to the development of the overseas dominions.* (London: P. S. King. 1929. Pp. 328. 15s.)

COOK, A. E. and HAGERTY, J. J., compilers. *The immigration law of the United States.* (Chicago: Callaghan. 1929. $6.)

DEPORTE, J. V. *Marriage statistics of New York State (exclusive of New York City), 1921-24, with introductory analysis of marriage statistics, 1916-24.* (Albany: N.Y. State Dept. of Health. 1929. Pp. xliv, 257.)

GALITZI, C. A. *A study of assimilation among the Roumanians in the United States.* Studies in hist., econ., and public law, no. 315. (New York: Columbia Univ. Press. Pp. 282. $4.)

LINFIELD, H. S. *The Jews in the United States, 1927: a study of their number and distribution.* (New York: American Jewish Committee. 1929. Pp. 107.)

Since 1897 decennial estimates, based upon the census of religious bodies by the United States Bureau of the Census, have been made of the number of Jews per state. "In the course of the present study for the first time data were collected with a view to ascertaining the distribution of the Jews in the United States" among divisions, states, cities, towns, villages, and unincorporated rural areas. Tables, graphs, and descriptions of the methods employed in making estimates are included.

J. J. SPENGLER

MALINOWSKI, B. *The sexual life of savages in northwestern Melanesia: an ethnographic account of courtship, marriage and family life among the natives of the Trobriand Islands, British New Guinea.* Vols. I and II. (New York: H. Liveright. London: Routledge. 1929.)

TAYLOR, P. S. *Mexican labor in the United States: racial school statistics,*

California, 1927. Pubs. in econ., vol. VI, no. 4. (Berkeley: Univ. of California Press. 1929. Pp. 257-292.)

Beiträge zum deutschen Bevölkerungsproblem. Der Geburtenrückgang im Deutschen Reich. Die allgemeine deutsche Sterbetafel für die Jahre 1924-26. Sonderhefte zu Wirtschaft und Statistik, Nr. 5. (Berlin: Reimar Hobbing. 1929. Pp. 46. Rm. 3.)

Both for its content and its method, this is a valuable publication. The charts and graphs are clear, as are the tables, with two exceptions which are somewhat complicated to one not intimately acquainted with the local geography of the German Empire. The monograph is divided into two parts, one dealing with the decline of human fertility in the Empire, the other with mortality in the years 1924-1926. The first, and much the more elaborate, part will be of the greater interest to most American students of population.

Legitimate births only are discussed, because the number of illegitimate births is not high enough to have significant effect on changes in the birth rate. The following matters are discussed at some length: changes in legitimate fertility in the different districts of the Empire; the decline of fertility, by age groups of married women; the influence of changing age constitution of women of childbearing age on the fertility rate; relation between fertility, race, and religion; fertility in large cities and in communities of less than 100,000 population; fertility in relation to occupation of the men; fertility as influenced by changes in infant mortality.

Some extremely interesting facts, hitherto known abroad in a general way, are brought out, but cannot be reviewed here. The most valuable part of the discussion is that dealing with changing age constitution in its effect on the future birth rate and natural increase of the population of the Empire. While it adds nothing new in principle, this presentation is an interesting supplement to Kuczynski's discussion of the same problem in his *The Balance of Births and Deaths.* Had the absolute number of births and the expectation of life remained what they were in 1913, the German population would have risen, in some eight decades, to over 90 million. With the expectation of life according to the life table of 1924-1926, and the absolute number of births of 1927, the population would rise to 69¾ million and then decline to a stationary level of 66½ million. But the absolute number of births will not remain the same unless the fertility rate increases. After 1930 the number of women in the childbearing ages will decline. The population can be kept at a future stationary level of 66½ million, with a constant annual number of births of 1,160,000, only if the legitimate fertility rate gradually rises, from 1930 on, to 20 per cent above the present level of 128.2 per thousand married women of childbearing age. Incidentally it is of interest to note that the 1927 fertility rate was only 46 per cent of that of 1899-1900, and 63.8 per cent that of 1913.

A. B. Wolfe

Dominion of New Zealand: report on the vital statistics for the year 1928. (Wellington: Census and Statistics Office. 1929. Pp. xlviii, 248. 5s.)

Migration laws and treaties. Vol. III. *International treaties and conventions.* Studies and reports, series O, no. 3. (Geneva: International Labour Office. 1929. Pp. xii, 383. 7s. 6d.)

Migration movements, 1925-1927. (London: P. S. King. Geneva: International Labour Office. 1929. Pp. v, 129. 60c.)

National origins provision of immigration law. Hearings before the Committee on Immigration, U. S. Senate, 70th Congress, 2nd session, on S. J. Res. 192, a joint resolution to amend subdivisions (B) and (E) of section 11 of the Immigration act of 1924. (Washington: Supt. Docs. 1929. Pp. 171.)

Origin, birthplace, nationality and language of the Canadian people. (Ottawa: H. M. Stationery Office. 1929. Pp. 224.)

This report, based upon the census of 1921 and upon supplementary data, admirably pictures the increasing heterogeneity of the Canadian population. The report deals with changes in ethnic composition in Canada and the nine provinces; the length of residence, age, sex, conjugal, rural, and urban composition of the different nationalities; and the behavior of the various groups as revealed by data on intermarriage, language spoken, illiteracy, naturalization, crime, fertility, and infant mortality. Tables, charts, a summary and an index are included.

Since 1901 the ethnic composition of the Canadian population "has been in a state of rapid change," the rate of which is unlikely to slacken because of the immigration restriction policy of the United States, the economic readjustments in Europe, and the comparatively higher rates of natural increase among non-British stock. Both the rate and the direction of change in ethnic composition will depend somewhat upon the changes in the rates of natural increase in European countries and upon the policy of immigrant selection adopted by Canada. The British and French stocks which in 1921 comprised respectively 55 and 28 per cent of the population, form progressively smaller proportions since 1901. Other European stocks, comprising 14.16 per cent of the total in 1921, form progressively larger proportions; this is especially true of those from Central, Southern, and Eastern Europe. Negroes and Indians, comprising slightly over 2 per cent in 1921, and Asiatics, comprising under 1 per cent, remain virtually stationary.

Incoming immigrants gravitate toward the more sparsely settled western provinces whose population consequently consists more largely of foreign born. Hence what is of "importance from the standpoint of Canadian unity, a progressive differentiation between East and West has taken place in population structure" (p. 21).

These changes in ethnic composition necessarily raise the problems of assimilating the newer immigrant stocks and of dealing with such partial social consequences of non-assimilation as crime, illiteracy, etc. "There is a marked tendency to segregation among the stocks which congregate in the cities and among certain very rural peoples" (p. 22). Naturalization, which is impeded by urbanization, varies among the different immigrant stocks. Again, a large percentage of Southeastern and Central Europeans, although at times Canadian born, cannot speak English or French. Among these same stocks illiteracy is much more frequent. Rates of convictions for indictable offenses and for reformatory and penitentiary commitments are much higher among foreign born, being highest among aliens and varying as to ethnic stock.

Assimilation is carefully treated in the chapter on intermarriage which is considered to be both an index of and a method of assimilation. On

the whole, Northwestern Europeans intermarry much more frequently with the French and British, although there is significant variation as to linguistic groups. Multiple and partial correlation is employed to show that "length of residence, sex distribution and numerical strength combined, are not adequate to account for the behavior of different stocks in respect of intermarriage" (p. 130). Intermarriage (and hence homogeneity) is also affected by such factors as physical, social, and cultural differences, occupational, rural, and urban distribution, segregation, etc.

The correlations between fertility, rural residence, illiteracy, infant mortality, etc., resemble those found in the United States. Canadianization, however, apparently has a different effect upon fertility than Americanization, provided that the Canadian data actually do *suggest* "that the birth rate of immigrant peoples normally goes up rather than down in the second and in some cases possibly in the third generation of Canadian residence" (p. 210). In the United States native females of foreign parentage generally average less children than do the resident immigrant females.

Despite possible traces of a Nordic bias this report will prove of interest to American students of immigration and demography.

J. J. Spengler

Social Problems and Reforms

Major Economic Factors in Metropolitan Growth and Arrangement. By Robert M. Haig and Roswell M. McCrea. Regional Survey of New York and Its Environs, Vol. I. (New York: Regional Plan of N.Y. and Its Environs. 1927. Pp. 111.)

Population, Land Values and Government. By Thomas Adams, Harold M. Lewis and Theodore T. McCrosky. Regional Survey of New York and Its Environs, Vol. II. (New York: Regional Plan of N.Y. and Its Environs. 1928.)

Public Recreation. By Lee F. Hanmer. Regional Survey of New York and Its Environs, Vol. V. (New York: Regional Plan of N.Y. and Its Environs. 1928. Pp. 256. $3.00.)

Physical Conditions and Public Services. By Harold M. Lewis. Regional Survey of New York and Its Environs, Vol. VIII. (New York: Regional Plan of N.Y. and Its Environs. 1929. Pp. 209.)

For the past seven years under the chairmanship of Frederic A. Delano and the active direction of Thomas Adams, a comprehensive study of selected economic and social conditions has been conducted covering the New York region, an area of 5,528 square miles of which 2,887 are in New York State and 2,641 are in the states of New Jersey and Connecticut. In this area there live approximately ten million people, a number which the committee estimates will swell to twenty million by the year 1965.

The purpose of the survey has been to examine the "growth, characteristics and needs of the communities in the whole urban region which

is economically and socially related to the port of New York, and to summarize and present the results in a form that would afford guidance in the preparation of a plan so designed as to secure the best possible development of the whole region." The cost of the survey's studies and publications has been met by the Russell Sage Foundation. This is the most comprehensive plan survey that has ever been conducted in this country and will inevitably be rated as a document of outstanding importance by economic historians, political scientists and city planners.

Volume I, on the *Major Economic Factors in Metropolitan Growth and Arrangement*, is described as a study of trends and tendencies in the economic activities within the region of New York and its environs. Its studies, however, are confined to nine of the chief industries comprising chemicals, metals, food, wood, tobacco, printing, textiles, men's wear and women's garments supplemented by studies of storage and marketing, finance and retail trading. It contains a large number of useful spot maps and three tables dealing with the distribution of employees in New York industries.

An attempt is made to explain the present "pattern of population" and to determine what form the pattern would assume if the designer aimed to achieve efficiency in production and consumption. Transportation advantages, perishability, weight and bulk of goods, the location of the family unit, the influence of trade unions, and various other factors are studied briefly with reference to their effect upon the location of industry and with reference to the possibility of decentralization of industry. From his studies Haig discovers that the wood products group of industries declined in the center of the city between 1900 and 1912; that metals, textiles and tobacco declined between 1912 and 1917; that the chemical and clothing industries declined between 1917 and 1922, though the textiles group gained slightly. Printing is the only group showing a record of gain in the central zone throughout the 22-year period. The above is gauged by the number of persons working in factories. He submits the hypothesis that in the layout of a metropolis—"the assignment of activities to areas tends to be determined by a principle which may be termed the minimizing of the cause of friction" (p. 39). He concludes (on page 44) that the forces of competition tend to approximate the ideal layout, and the trends actually in operation are the surest indication of what is economically sound (for the individual but not for the community).

He concludes, after his analysis of industries, that in the absence of special measures, such as legal prohibition through zoning, a large number of plants will cling to sites in the center of the metropolis. Nine characteristics of such plants are named, such as "no specialized

buildings required," "time, service or soil factor important," "low ground area per worker," "comparatively small scale," "close contact with market required," "highly seasonal." Those which may leave central plants of their own volition are of comparatively large size, require large ground area per person or specialized buildings, and may have a serious problem of waste disposal or need large quantities of fuel or water. Other special categories are submitted and detailed studies by special investigators are published in volumes I-A and I-B.

Volume II, on *Population, Land Values and Government*, is a compilation of special studies by a large number of investigators, covering past and present populations and their relation to problems of commercial development and regional immigration and estimates of future populations. Part 2, on the distribution of land values and factors that influence such values, was based on studies made by W. D. Haydecker and Raymond A. O'Hara. Part 3, on government, deals with political subdivisions in New York, New Jersey and Connecticut and the relations of government to planning, with emphasis upon inter-state and inter-municipal commissions and corporate authorities, a brief examination of phases of the problems of population, utilities and public finance. This volume contains a large number of tables. Estimates of future population growth are submitted by Nelson P. Lewis, by Raymond Pearl and Lowell J. Read, by Edwin B. Wilson and W. J. Luyten, and by Ernest P. Goodrich. These predictions agree in concluding that the New York region is not yet near its maximum population growth and that it will grow at least until the year 2000. The methods of prediction are outlined in Chapter 4.

There is much original material in the contribution on land values which is amply supported by tables on the distribution of land values throughout the region and in the Manhattan area, on the economic factors influencing values and the effect of transportation and public improvements upon values.

Volume V, on *Public Recreation*, is a study of parks, playgrounds and other outdoor recreation facilities. It attempts to determine what types of recreation space are required and how they should be distributed and located. It outlines at some length the growth and value of parks and playgrounds, the distribution and extent of open spaces, the use and extension of recreation facilities, the ways of securing land for recreation, playground attendance and adequacy, and ends with an original compilation of the law of land under water. The section on the value of play is disappointing because of its failure to analyze the available reports on this subject. The study of the effect of playgrounds on the values of neighboring land is a contribution of importance. It is particularly unfortunate that a study as well endowed

as this should not have included more original work upon the problem of space requirements for recreation, as such studies are seriously needed and nowhere available in convincing, adequate form. This is, nevertheless, the most useful available study of the problem of public recreation considered with reference to land utilization.

Volume VIII, on *Physical Conditions and Public Services*, is the final volume of the series. It deals with geography, soil, climate, problems of water supply, sewage and refuse disposal, oil pollution, services for power, heat and light, food supply and distribution, and the locations of hospitals and prisons. Part 6, by Henry James, is a valuable historical review of earlier planning efforts in New York City and its environs and Part 7 contains concluding observations on the regional survey by Thomas Adams.

The chapter in Part 4 on power, heat and light concludes that the introduction of either super-power or general extensive electrification will influence dispersal of industry from existing centers only in proportion as rates in the environs are made more favorable than at present, and also give improved facilities for access to transmission lines. The cost of power, however, is stated to be a small percentage of total manufacturing costs and so would have little influence compared to other factors.

The general impression left after examining these four volumes of the series is that the most important contributions of the study lie in the map-making and the summaries and interpretations of the numerical distribution of factors and services throughout the metropolitan regions. The essential purpose of the regional plan survey was to gather material which would be useful in determining wiser uses of land under public direction or control. A prodigious amount of useful material for this purpose has been assembled. In many instances economic and social trends have been indicated but the objectives considered have in the main been immediate rather than ultimate. There has been more breadth than depth, due doubtless to the immediate practical purpose of the committee. One looks in vain for profound contributions in the field of evaluation, but one finds instead an invaluable compendium of intelligently presented data on contemporary economic functions in their relation to space utilization. The series is of unique value and should be available for reference and study in the library of every city and every university.

James Ford

Harvard University

NEW BOOKS

Adams, J. T. *Our business civilization: some aspects of American culture.* (New York: Boni. Pp. 315. $3.)

ALEXANDER, M. W. *Conquering the illusion of economic isolation.* 13th report of the president. (New York: National Industrial Conference Board. 1929. Pp. 46.)

BALDWIN, J. W. *The social studies laboratory: a study of equipment and teaching aids for the social studies.* Contribs. to educ. no. 371. (New York: Teachers College, Columbia Univ. Pp. 104. $1.50.)

BOLEN, G. L. *Capitalism's individual ownership: the deep thing of God.* (Battle Creek, Mich.: Wages, Wealth and Welfare Press. London: Arthur F. Bird. 1929. Pp. viii, 760.)

BUKHARIN, N. *Imperialism and world economy.* (New York: International Pubs. 1929. Pp. 173. $2.)

CASWELL, H. L. *City school surveys: an interpretation and an appraisal.* Contribs. to educ. no. 358. (New York: Teachers College, Columbia Univ. Pp. 136. $1.50.)

CHASE, S. *Prosperity, fact or myth.* (New York: Boni. 1929. Pp. 188. 75c.)

FLORENCE, P. S. *Sociology and sin: a plea for the exclusion of uplift from economics and the political sciences.* New science ser. (New York: Norton. 1929. Pp. 98. $1.)

HERTZLER, J. O. *Social institutions.* (New York: McGraw-Hill. 1929. Pp. x, 234. $2.50.)

This is a useful little book. Professor Hertzler treats a topic which is often neglected by American sociologists. As the author puts it, his book "seeks in a comprehensive and systematic way to get at the essential components of social institutions; to note certain aspects of their origin and evolution; to examine the way in which they develop their general and unique characteristics; to determine their connection with social values, the interplay between the individual and institutions, and the factors involved in their progressive adaptability." Dr. Hertzler's material and point of view has been largely influenced by Sumner and Keller, Bernard, and Ross, among sociologists, and by the recent work in cultural anthropology. The economic institutions and their rôle in every culture are not given an extended treatment.

MAURICE G. SMITH

HOBSON, J. A. *Wealth and life: a study in values.* (London: Macmillan. Pp. xxxi, 489. 15s.)

HOLLINGSWORTH, H. L. *Vocational psychology and character analysis.* (New York: Appleton. 1929. Pp. x, 409. $3.)

HURLOCK, E. B. *The psychology of dress: an analysis of fashion and its motive.* (New York: Ronald. 1929. Pp. viii, 244. $3.50.)

KELSEY, R. W. *Prohibition.* Topical suppl. to textbooks of American hist. and govt., no. 1. (Philadelphia: McKinley Pub. Co. 1929. Pp. 32.)

KIMMEL, W. G. *The management of the reading program in the social studies.* Pubs. of the National Council for the Soc. Studies, no. 4. (Philadelphia: McKinley Pub. Co. 1929. Pp. 110.)

KRAUS, A. J. I. *Sick society.* (Chicago: Univ. of Chicago Press. 1929. Pp. x, 206. $2.)

The purpose of this little book is indicated in the preface, from which we quote as follows: "The basic concepts of society in present-day social philosophy, inclusive of sociology, are lacking. . . . . There is chaos in

thought and action. . . . . To bring order into this chronic chaos it was necessary to apply new concepts and to follow an independent course." The writer has divided his book into two parts or "books," entitled respectively "Sick society" and "Human efficiency or the sociology of the division of labor." Part I consists largely of an analysis of the organizing force that dominates society. To this force he applies the title—Social Telesis. In the development of his concept of society, the author has dared to differ from the majority of current opinions, and, in his presentation of the term "spatial society," he says: "Any other than a delimited concept of society leads to erroneous analysis. Humanity is organized not into one but into many such spatial societies, each forming a unit of social organization and cultural life."

Social amelioration is a category, the content of which is derived from social-ethical values. It is used to reduce to a minimum the deficiencies of the economic process, and is a factor in coördinating the negative portion of life with the positive.

In the second half of the book we find an attempt to apply the concepts previously elaborated. The author sets forth a theory of human efficiency, which, if properly applied, would, in his estimation, alleviate human suffering. He introduces the concept "atom of labor" and divides labor into such groups as detail workers, creative detail workers and idea workers. The proper coördination of these groups would go far toward eliminating the evils of "sick society."

George B. Mangold

Landshut, S. *Kritik der Soziologie: Freiheit und Gleichheit als Ursprungsproblem der Soziologie.* (Munich and Leipzig: Duncker & Humblot. 1929. Pp. 159. M. 10.)

Lokanathan, P. S. *Industrial welfare in India.* (Madras, India: Univ. of Madras. Pp. 222.)

Long, H. *Kingsport: a romance of industry.* (Kingsport, Tenn.: Sevier Press. 1928. Pp. xiv, 304. $2.50.)

The purpose of this book is to present the features of a city "planned in the beginning for the happiness and betterment of men and women." The subject is Kingsport, a growing city in Tennessee, where the people are now devoting attention both to the building of model industries and to the construction of a social and industrial community on somewhat new lines. The author divides his book into three sections: in part 1 he gives the historical background of the city. Part 2 is devoted to various aspects of city building, such as city planning, conservation of resources, diversification of occupations, proper coördination of industries, the development of a spirit of coöperation among the citizens. These ideas are presented with Kingsport as an example, and the author supplies many local illustrations of his theme. Part 3 contains a description of the leading industries of the city, including cement, glass, foundry products, hosiery, silk, chemicals and cotton goods, not to name them all. Mr. Long not only discusses the important factors in the localization of these industries, but he gives a complete description of industrial processes within the plants. The book is illustrated to show both the industrial and residential layout, and to convey some idea of processes within the plants.

I. Lippincott

Myers, C. S., editor. *Industrial psychology.* Home univ. lib. of modern knowledge, no. 131. (New York: Holt. London: Butterworth. 1929. Pp. 252.)

Nystrom, P. H. *Economic principles of consumption.* (New York: Ronald. 1929. Pp. xi, 586. $5.)

Books on the economics of consumption may be expected to follow two major lines of approach. One group will be interested in the arrangement of the consumption of individuals or groups largely from the angle of the efficacy of that consumption or possibly its improvement. We may expect such an approach from the home economists. The other group will be interested in the characteristics of the market as they affect the possibilities of selling goods. This book is of the latter type, and, drawing from such a wide experience in marketing as that possessed by the author, is an event of importance.

The first five chapters deal with a general statement of the consumption problem and the factors affecting it. The author then devotes a chapter to each of what he considers the principal factors influencing consumption (chaps. 6-9), population, wealth, income, and size of family. A chapter on family budget studies and two chapters on the standard of living follow. The remainder of the book, except the last chapter, is devoted to a chapter on each of the principal budget divisions or lines of expenditure (chaps. 13-19), food, clothing, housing, home furnishings and home operation, health maintenance, leisure and savings. The Bureau of Labor Statistics study of 1918-19, the California Civil Service Commission report of 1923 and the recent studies of the California and Yale faculties furnish the principal background for these chapters. The author has succeeded in supplementing these meager data, however, by computations from the census and from other sources until they are by far the most complete compilations of data available in a single place. The discussions of the relation of rent to income, of the conflicting trends in household operation between labor saving devices and sending work outside the home, on the expenditures for the maintenance of health and on leisure are particularly good. The final chapter on measures and indexes of demand touches a problem on which we have little actual information and in consequence about which little can be said. The author has, however, some excellent suggestions for those engaged in specific problems.

The book is primarily a collection and arrangement of the facts which we know regarding the market. It fills extremely well the gap which has been conspicuous in many marketing courses and in the minds of some of those engaged in marketing of the characteristics of the consumers which influence sales. It will appear unfortunate to some that the author has not seen fit to weave these facts into a general theoretical framework and thus give us a theory of consumption. For all those who deal directly with the market, however, the book will be extremely valuable.

Warren C. Waite

Schmeckebier, L. F. *The Bureau of Prohibition: its history, activities and organization.* Service monographs of the U. S. govt., no. 57. (Washington: Brookings Institution. 1929. Pp. x, 333.)

Sellin, T., editor. *The police and the crime problem.* Annals, vol. CXLVI, no. 235. (Philadelphia: American Acad. of Pol. and Soc. Science. 1929. Pp. iv, 293. $2.)

Smith, D. H. and Powell, F. W. *The coast guard: its history, activities and organization.* Service monographs of the U. S. govt., no. 51. (Washington: Brookings Institution. 1929. Pp. xi, 265.)

Smith, T. V. and White, L. D., editors. *Chicago: an experiment in social science research.* Soc. science studies, no. 17. (Chicago: Univ. of Chicago Press. 1929. Pp. 294. $3.)

Wells, G. R. *Individuality and social restraint.* (New York: Appleton. Pp. 260. $2.50.)

White, J. D. *The A B C of plenty employment.* (London: C. W. Daniel Co. 1929. Pp. 81. 6d.)

Williamson, M. *The social worker in group work.* Job analysis ser., vol. 2. (New York: Harper. Pp. 258. $2.50.)

Wissler, C. *An introduction to social anthropology.* (New York: Holt. 1929. Pp. 402. $3.50.)

Zimmerman, C. C. *Incomes and expenditures of Minnesota farm and city families, 1927-28.* Agric. exp. station, bull. 255. (St. Paul: Univ. of Minnesota. 1929. Pp. 50.)

Child labor facts, 1930. Pub. no. 357. (New York: National Child Labor Committee, 215 Fourth Ave. 1930. Pp. 19. 15c.)

Child labor programs and projects. Pub. no. 358. (New York: National Child Labor Committee. Pp. 34.)

Coöperative housing: a selected bibliography. Bull. no. 97. (New York: Russell Sage Foundation Library. 1929. Pp. 4. 10c.)

The doctor looks at child labor. Pub. no. 356. (New York: National Child Labor Committee. 1929. Pp. 21. 25c.)

The graphic regional plan: atlas and description. (New York: Regional Plan of New York and Its Environs. 1929. Pp. 416.)

The Illinois crime survey. (Chicago: Illinois Assoc. for Criminal Justice in coöperation with the Chicago Crime Commission. 1929. Pp. xxxii, 1108.)

The last outposts of prohibition in Canada: Nova Scotia and Prince Edward Island. (Washington: Assoc. against the Prohibition Amendment. 1929. Pp. 30.)

Levnadskostnaderna i städer och industriorter omkring ar 1923 av k. socialstyrelsen. (Stockholm: Sveriges Officiella Statistik. 1929. Pp. 199.)

Public education as affecting the adjustment of youth to life. (New York: National Industrial Conference Board. 1929. Pp. xi, 61. $1.50.)

Rural life from the aspect of the social worker: selected references to recent material. Bull. no. 98. (New York: Russell Sage Foundation Library. 1929. Pp. 4. 10c.)

The Social Science Research Council: fifth annual report, 1928-29. (New York: Social Science Research Council. 1929. Pp. xiii, 58.)

Trade foundations based on producing industries: a pre-vocational textbook by pre-vocational and vocational directors, instructors, and tradesmen. Rev. ed. (Peoria, Ill.: Manual Arts Press. 1929. Pp. 541. $3.75.)

Insurance and Pensions

NEW BOOKS

Chessa, F. *La teoria economica del rischio e della assicurazione.* (Padova: A. Milani Bros. 1929. Pp. xiv, 321. L. 40.)

Jones, F. R., editor. *Digest of workmen's compensation laws of the United*

States and territories, with annotations, revised to December 1, 1929. 11th ed. (New York: Assoc. of Casualty and Surety Executives. 1929. Pp. 550. $8.)

MANES, A. *Versicherungswesen: System der Versicherungswirtschaft.* (Leipzig and Berlin: Teubner. 1930. Pp. xii, 436. Rm. 28.)

REED, P. B. *Adjustment of fire losses.* (New York: McGraw-Hill. 1929. Pp. 425. $4.)

RICHARDS, K. E., editor. *Workmen's compensation supplement to department reports of Pennsylvania, containing rulings and opinions of the Workmen's Compensation Board, opinions of the attorney general, the various courts of Pennsylvania and the United States Supreme Court involving the workmen's compensation law of Pennsylvania during the year 1928.* Reprinted from vol. XIV of dept. reports of Pennsylvania. (Harrisburg: Telegraph Printing Co. 1929.)

TODD, F. M. *A romance of insurance, being a history of the Fireman's Fund Insurance Company of San Francisco.* (San Francisco: Fireman's Fund Insurance Co. Pp. xiv, 283.)

The Association of Life Insurance Presidents: proceedings of the twenty-third annual convention. (New York: Assoc. of Life Insur. Presidents. 1929. Pp. 274.)

Pauperism, Charities, and Relief Measures

NEW BOOKS

GAY, G. I. and FISHER, H. H. *Public relations of the Commission for Relief in Belgium: documents.* Vols. I and II. (Stanford University: Stanford Univ. Press. 1929. Pp. xvii, 606; xiii, 539. $10.)

These two volumes, as indicated in the title, consist largely of documentary material. They give an excellent picture of the public relations and many sided activities of the Commission prior to the time of its organization in 1914 under the chairmanship of Mr. Herbert Hoover until its liquidation five years later. There are 17 chapters, each of which contains descriptive matter organized under appropriate heads. In connection with each sub-head are listed the letters, telegrams and other communications dealing with the subject under consideration. Although most of the correspondence is presented in the English language, many of the letters are given only in the language in which they were written, that is in French or German. Some very important communications appear as translations.

Appendix I describes the administrative structure of the Commission and presents much statistical material relative to cost of operation and services extended.

The report by Mr. Hoover on the distribution of benevolence in Belgium and in Northern France is an excellent review of the conditions, needs and work done by the Commission up to the time of America's entry into the war.

GEORGE B. MANGOLD

KELSO, R. W. *Poverty.* (New York: Longmans Green. 1929. Pp. viii, 374. $2.)

This book begins with the meaning and extent of poverty. In discuss-

ing extent, the author summarizes the more important cost of living studies that have been made; but his deductions from these leave much unsaid in respect to the amount of actual poverty.

Part II deals with "The causes of poverty." These are classified under 11 heads and a chapter is given to each. Over-population, war, economic change, the industrial system, sickness, mental incompetency, wastefulness, crime and unwise efforts to remove poverty are listed among the causes. A considerable amount of factual material is presented in connection with the subsequent discussions. The author emphasizes over-population and insists that the pressure on food supply is a persistent cause of poverty. He discusses war both as a primary and as a secondary cause, and he views political and economic change from the standpoint of the social worker who has seen inventions, discoveries and labor saving devices displace labor and plunge individuals into poverty. Sickness is ever ready to capitalize war and over-population and is probably the most extensive immediate cause of poverty. On the other hand, neither lack of education nor lack of moral fiber are considered major causes. Usually individuals suffer from a group of causes rather than from a single cause.

Part III deals with attempted and proposed remedies. In this connection the writer discusses our present public and private relief methods, special forms of relief such as mothers' aid and old age pensions, the safety movement, workmen's compensation, minimum wage legislation and various measures for the protection of the laboring classes. One chapter considers "Basic educational measures" and briefly describes the program in respect to recreation, public health, public health nursing and vocational training.

In summarizing his treatment of poverty, the author says that the most important need is the control and regulation of the propagation of human beings, that the attack on disease should come second; that the control and elimination of feeble-mindedness should follow and that beyond these measures lies the necessity of controlling industry and of eliminating alcoholic poisoning. These results must not be expected in the near future. Nevertheless the book closes in optimistic mood. An appendix provides a set of questions as well as a short bibliography for each chapter.

George B. Mangold

Socialism and Co-operative Enterprises

NEW BOOKS

Beer, M. *The life and teaching of Karl Marx.* Translated by T. C. Partington and H. J. Stenning. (New York: International Pubs. 1929. Pp. 158. $1.50.)

——. *Social struggles and socialist forerunners.* Translated by H. J. Stenning. (New York: International Pubs. 1929. Pp. 224. $1.75.)

——. *Social struggles and thought, 1750-1860.* Translated by H. J. Stenning. (New York: International Pubs. 1929. Pp. 218. $1.75.)

——. *Social struggles in antiquity.* Translated by H. J. Stenning. (New York: International Pubs. 1929. Pp. 222. $1.75.)

——. *Social struggles in the Middle Ages.* Translated by H. J.

STENNING. (New York: International Pubs. 1929. Pp. 215. $1.75.)

BROOKINGS, R. S. *Economic democracy: America's answer to socialism and communism.* (New York: Macmillan. 1929. Pp. xxviii, 151. $1.50.)

DORAU, H. B. *The changing character and extent of municipal ownership in the electric light and power industry.* (Chicago: Institute for Research in Land Economics & Public Utilities. 1929. Pp. ix, 102. $1.50.)

This review may well start with a quotation from the preface:

"The title under which this report is offered indicates clearly its restricted scope. Within the limits of time, funds and personnel available, an effort is herein made to present as objectively as possible the bare statistical facts with respect to the really fundamental and important changes which are taking place."

That the study has been thorough and exhaustive is evident on every one of its hundred pages. There are 67 tables and 34 charts, with a brief running comment and explanation. The unit in all cases is the establishment. There are no figures for dollars or kilowatts.

These tables or charts show not only the changing extent of municipal ownership in the United States as a whole but also break down the figures into geographic divisions. There are data on the number of municipal establishments changing to private ownership and vice versa; data on the length of life of municipal establishments and analyses according to the size of the community in which located. One of the most interesting sections is that on technical character classifying the plants into three groups (1) those generating all current distributed, (2) those purchasing part of their output and (3) those purchasing all current distributed.

"The shifting of municipal establishments from generating all to generating none, ... is an adjustment to the new technology of the electric industry." This of course simply parallels the situation in private establishments. It would be interesting to have similar figures for the latter which would show whether the shift has been more rapid in the one case than the other.

To sum up, the author has accumulated a very comprehensive set of facts and has tabulated these in every possible way, so that the reader can see for himself the trends and draw his own conclusions. The author states that this is a "preliminary report." The reviewer looks forward with keen interest to the more extended report to follow.

CHARLES H. PORTER

KAYDEN, E. M. and ANTSIFEROV, A. N. *The coöperative movement in Russia during the war: consumers' coöperation; credit and agricultural coöperation.* (New Haven: Yale Univ. Press. Pp. xvi, 420. $4.)

Of the *Economic and Social History of the World War* sponsored by the Carnegie Endowment for International Peace and edited by James T. Shotwell, this is a volume in the Russian Series. The authors are not only eminent scholar-professors, but they have an advantage over the majority of foreign students of Russian affairs in that both of them know the Russian language and the Russian traditions as only Russians can know them. Professor Kayden contributes six chapters on "Consumers' coöperation" and Professor Antsiferov adds seven chapters on "Credit and agricultural coöperation." Aside from the editor's preface there is an excellent table of contents, but no index. In spite of the obvious and serious difficulties

under which the preparation of the volume was undertaken, the documentation and the statistical content are surprisingly close to adequate and convincing.

Professor Kayden's first chapter is "A survey of coöperative development in Russia" from 1865 when the first modern coöperative society was formed in Riga to 1920 when the Bolshevik control of the coöperative movement may be said to have reached its completion. The other chapters are detailed analyses of causes and factors, forms and types, unions and federations, functions and administration, education and propaganda, success and achievements, but no prophecies or forecasts. It is an impressive picture that one gets of this mass movement of the people themselves, beginning crudely and experimentally in an atmosphere of official suspicion and discouragement, persisting in spite of its setbacks and manifold shortcomings until the revolutionary years following 1906 and more particularly after 1914 furnished a freer environment and a more appreciative government, and, finally at the very verge of its triumph, encountering a new régime with a new philosophy. Here is a volume which the general student of Russia cannot afford to overlook and which the student of coöperation will find to be a mine of invaluable information.

Arnold J. Lien

Mukherjee, B. B. *Coöperation and rural welfare in India.* (Calcutta: Thacker Spink & Co. Pp. 198. Rs. 3.)

American coöperation: a collection of papers and discussions comprising the fourth summer session of the American Institute of Coöperation at the University of California, Berkeley, California, July 9-August 4, 1928. Vols. I and II. (Washington: American Institute of Coöperation. 1928.)

Statistics and Its Methods

NEW BOOKS

Bezanson, A. *Help-wanted advertising as an indicator of the demand for labor.* (Philadelphia: Univ. of Pennsylvania Press. 1929. Pp. xii, 104. $2.)

This study furnishes a new index of the trend of unemployment. For the construction of the several indexes, the Industrial Research Department of the University of Pennsylvania used the help-wanted advertising in daily and Sunday newspapers in Philadelphia for the period, April, 1923-1929, and also similar advertising in one of the leading papers in Chicago, Minneapolis, St. Louis, Indianapolis, Milwaukee and New York. Tables were compiled for cities as a whole, for major industries, building industry, automobile and metal-manufacturing industries, textile industries and common labor. The trends in different cities showed a marked similarity. The text is illustrated by 30 charts, and in the appendix there are 30 tables.

Florence, P. S. *The statistical method in economics and political science: a treatise on the quantitative and institutional approach to social and industrial relations.* (New York: Harcourt Brace. London: Kegan Paul, Trench, Trubner & Co. 1929. Pp. xxiv, 521. $7.50.)

Holt, W. S. *The Bureau of the Census: its history, activities and organiza-*

tion. Service monograph of the U. S. govt., no. 53. (Washington: Brookings Institution. 1929. Pp. x, 224.)

HOLZINGER, K. J. and MITCHELL, B. C. *Exercise manual in statistics.* (Boston: Ginn. 1929. Pp. v, 160. $2.40.)

Contains exercises on tabulation, graphic methods, averages, measures of dispersion, point binomial and normal probability curve, sampling errors, correlation, and curve-fitting. Chapter references are furnished and in the appendix are answers to the exercises. The data for exercises are for the most part drawn from educational statistics.

KOHN, S. *Základy teorie statistické metody.* (Prague: State Statistical Office of the Czechoslovakian Republic. 1929. Pp. xvii, 483. 80Kč.)

KOPF, E. W. *How should accidents be classified?* Reprinted from Transactions of the Eighteenth Annual Safety Congress, National Safety Council. (New York: Metropolitan Life Insurance Co. 1929. Pp. 22.)

SNIDER, J. L. *Business statistics: a book of cases and materials.* (New York: McGraw-Hill. 1929. Pp. ix, 524. $5.)

Guide to current official statistics. Vol. VII, 1928. (London: H. M. Stationery Office. 1s.)

State of Indiana: statistical report for the year ending September 30, 1928. (Indianapolis: Legislative Bureau, Indiana Library and Historical Dept. 1929. Pp. 212.)

DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

In the series of Trade Information Bulletins published by the Department of Commerce have appeared: No. 662, *The Market for Foodstuffs in Colombia*, by H. P. Macgowan (pp. 44, 10c.); No. 663, *Canadian Trust Corporations* (pp. 46, 10c.). This brings down to date information with regard to the trust companies in Canada collected by Professor J. F. Johnson in *The Canadian Banking System*, published in 1910 as U. S. Senate Document No. 583, Sixty-first Congress, 2nd session. No. 664, *Chemical Industry and Trade of Switzerland*, by A. H. Swift (pp. 44, 10c.); No. 665, *Iron and Steel Industry and Trade of Canada*, by W. H. Myer (pp. 16, 10c); No. 666, *Mexican Market for Industrial Machinery*, by George Wythe (pp. 36, 10c.); No. 667, *Canadian Market for Sawmill and Woodworking Machinery*, by A. H. Thiemann (pp. 30, 10c.); No. 669, *Fresh and Canned Fruit Industry of Porto Rico*, by J. R. McKey (pp. 19, 5c.); No. 670, *Markets for Sawmill and Woodworking Machinery in Australia, New Zealand, Philippine Islands, British Malaya, and Netherland East Indies*, by C. F. Baldwin (pp. 38, 10c.); No. 671, *Market for Fuel Oil Burners in Canada and Latin America* (pp. 23, 10c.); No. 672, *Paper Trade and Industry of Japan*, by B. M. Frost (pp. 24, 10c.); No. 673, *The Currency System of Japan*, by H. M. Bratter (pp. 35, 10c.). This is of special interest in view of the termination of the gold embargo which went into effect in January, 1930.

In the Trade Promotion series have appeared No. 85, *Handbook of Foreign Tariffs and Import Regulations on Agricultural Products. II. Canned Foods in Europe*, by R. S. Hollingshead and R. P. Wakefield (pp. 287, 45c.); No. 88, *United States Trade with Latin America in 1928*, compiled by H. S. Giusta (pp. 82, 15c.); No. 89, *Tobacco Trade of the Netherlands and the Netherland East Indies*, by Louise Moore (pp. 69, 15c.).

The Thirteenth Annual Report of the United States Tariff Commission, 1929 (pp. 291, 30c.), contains the usual review of the activities of the Commission during the past year.

No. 38 in the Tariff Information series published by the United States Tariff Commission deals with *Census of Dyes and of Other Synthetic Organic Chemicals, 1928* (Washington, 1930, pp. 194, 30c.).

The federal Bureau of Mines has published in its series of economic papers No. 6 entitled *Summarized Data of Gold Production*, by R. H. Ridgway (1929, pp. 63). This is a compilation of data in a convenient form. It is illustrated by charts and statistical tables for the world production running back to 1493.

The Bureau of Mines has published as Bulletin 314 its annual summary of *Quarry Accidents in the United States during the Calendar Year 1927*, by William W. Adams (1929, pp. 109, 15c.); Bulletin 301, *Facts Relating to the Production and Substitution of Manufactured Gas for Natural Gas*, by William W. Odell (1929, pp. 179, 35c.). Also Technical Paper 458, *Accidents at Metallurgical Works in the United States during the Calendar Year 1927*, by William W. Adams (1929, pp. 37, 10c.).

In the series of Economic Papers the Bureau of Mines has issued No. 5, *Summarized Data of Lead Production Showing the Relation of Production in the United States to That of the World,* by Lewis A. Smith and the Common Metals Division (1929, pp. 44, 15c.); Economic Paper No. 7, *Economics of New Sand and Gravel Developments* by J. R. Thoenen (1929, pp. 60, 15c.).

The United States Department of Commerce and the United States Shipping Board have begun a series of volumes on foreign ports. No. 1 covers *The Port of Hamburg, including the Ports of Altona and Cuxhaven,* by Ralph I. Schneider of the United States Shipping Board (Washington, 1930, pp. 326, $1.00). No. 2, *The Port of Liverpool, including Birkenhead and Garston,* by Edward P. Cotter of the United States Shipping Board (Washington, 1929, pp. 315, $1.00). These volumes treat of port organization, practices and facilities, methods employed in handling cargo, port services and charges. Each volume has maps; and the study of Liverpool contains a bibliography. No. 3, *Foreign Bunkering Stations,* is compiled by Ernest H. Adamitz (Washington, 1929, pp. 142, 30c.).

Bulletin No. 37 issued by the Bureau of Railway Economics has the title *Unloads of Fresh Fruits and Vegetables at Sixty-six Important Consuming Markets in the United States, Year 1928* (Washington, October, 1929, pp. 28).

Labor

The federal Bureau of Labor Statistics has issued the following bulletins:

No. 489, *Care of Aged Persons in the United States* (October, 1929, pp. 305, 70c.). This covers almshouses, state provision, care by labor, religious and fraternal organizations, retirement systems for public employees and pension plans of private employers.

No. 493, *Wholesale Prices 1913 to 1928* (August, 1929, pp. 257, 40c.).

No. 496, *Workmen's Compensation Legislation of the United States and Canada as of January 1, 1929, with Text of Legislation Enacted in 1927 and 1928* (November, 1929, pp. 260, 55c.).

No. 497, *Wages and Hours of Labor in the Lumber Industry in the United States: 1928* (October, 1929, pp. 77, 15c.).

No. 498, *Wages and Hours of Labor in the Boot and Shoe Industry, 1910 to 1928* (September, 1929, pp. 95, 20c.).

No. 500, *Building Permits in the Principal Cities of the United States in 1928* (November, 1929, pp. 108, 20c.).

No. 502, *Wages and Hours of Labor in the Motor-Vehicle Industry: 1928* (December, 1929, pp. 73, 15c.).

No. 503, *Wages and Hours of Labor in the Men's Clothing Industry, 1911 to 1928* (December, 1929, pp. 73, 15c.).

No. 504, *Wages and Hours of Labor in the Hosiery and Underwear Industries, 1907 to 1928* (December, 1929, pp. 82, 15c.).

No. 505, *Directory of Homes for the Aged in the United States* (November, 1929, pp. 75, 15c.).

The Women's Bureau of the federal Department of Labor has issued: Bulletin No. 72, *Conditions of Work in Spin Rooms,* by Ethel L. Best (pp. 41, 10c.); No. 75, *What the Wage-Earning Woman Contributes to Family Support,* by Agnes L. Peterson (pp. 21, 5c.). This study is based upon studies

by the Bureau and also upon census data. No. 76, *Women in 5-and-10-Cent Stores and Limited-Price Chain Department Stores,* by Mary E. Pidgeon (pp. 58, 10c.); No. 77, *A Study of Two Groups of Denver Married Women Applying for Jobs,* by Emily C. Brown (pp. 11, 5c.).

Public Finance

The *Report of the Massachusetts Special Commission Directed to Continue the Investigation of the Entire Subject of State, County and Local Taxation and Revenues from Fees and Other Resources* has been printed as House Document No. 900 (Boston, 1930, pp. 136). Among other recommendations of the Commission are the following: (1) That the base of the income tax be broadened to include all income received except mortgage interest, rents, federal salaries, and interest on federal and certain other tax-exempt public obligations. (2) That the tax on business income be reduced from 1½ per cent to 1 per cent and the tax on investment income be reduced from 6 to 3 per cent. (3) That the losses in the purchase and sales of intangibles be deductible from taxable interest and dividends. (4) That the present corporate excess tax be abolished. (5) That the corporation tax be based on net income and levied at the rate of 4 per cent with a substantial minimum tax.

Public Utilities

Among the reports on public utilities, the following have been received:

Ninth Annual Report of the Federal Power Commission for the Fiscal Year Ended June 30, 1929 (Washington, 1929, pp. 202, 20c.).

Reports of the Board of Public Utility Commissioners of the State of New Jersey, January 12, 1927, to June 28, 1928 (Trenton, 1929, pp. 676).

State of West Virginia Water Power Act, 1929, with Rules and Regulations Governing the Administration of the Act (Charleston, 1929, pp. 34).

NOTES

The Executive Committee of the AMERICAN ECONOMIC ASSOCIATION requests that suggestions relating to the program of the next annual meeting should be sent as soon as possible to the president, Professor M. S. Hammond, Ohio State University, Columbus, Ohio. It is particularly desired that the Program Committee should receive information with regard to new investigations or studies which would be of general interest to the membership of the ASSOCIATION.

The following persons have been chosen members of the Nominating Committee of the AMERICAN ECONOMIC ASSOCIATION for the year 1930: Professor Wesley C. Mitchell, Columbia University, chairman; Professor David A. McCabe, Princeton University; Professor M. H. Hunter, University of Illinois; Professor G. O. Virtue, University of Nebraska; Professor G. W. Stocking, University of Texas; Professor J. S. Davis, 1522 31st Street, N.W., Washington, D.C.

The following names have been added to the membership of the AMERICAN ECONOMIC ASSOCIATION since November 1:

Abramson, A. V., Dept. of Economics, Brown University, Providence, R.I.
Avramoff, I. N., 328 E. Catherine, Ann Arbor, Mich.
Baker, H. A., Blake Hall, University of Chicago, Chicago, Ill.
Baker, O. E., 1242 N. 18th St., Abilene, Texas.
Baker, R. O., 1021 Tennessee St., Lawrence, Kan.
Barnes, N. W., Advertising Federation of America, 420 Lexington Ave., New York City.
Bayard, C. C., Box 0, Oberlin, Ohio.
Biggar, H. F., 15 Nassau St., New York City.
Biscoe, A. B., 1513 Virginia Ave., University, Va.
Blount, C., 3763 S. Wabash Ave., Chicago, Ill.
Blum, J. W., 17A Graduate College, Princeton University, Princeton, N.J.
Boals, G. P., Oregon State College, Corvallis, Ore.
Boldyreff, J. W., 25 Trowbridge St., Cambridge, Mass.
Botte, C. J., 1694 N. High St., Columbus, Ohio.
Bowman, R. T., Dept. of Economics, University of Pennsylvania, Philadelphia, Pa.
Brumbaugh, M. A., Bureau of Business and Social Research, University of Buffalo, Buffalo, N.Y.
Bryan, L. A., 1636 19th St., N.W., Washington, D.C.
Buchanan, D. H., 192 Larch Rd., Cambridge, Mass.
Burgin, M., 242 Jamaica Way, Boston, Mass.
Burnham, E. L., Berwyn, Pa.
Burroughs, R. J., 1407 Brooklyn Ave., Ann Arbor, Mich.
Cadisch, G. F., School of Business Administration, State College of Washington, Pullman, Wash.
Cahn, F., 3652 Clay St., San Francisco, Calif.
Campbell, C., 1409 Park Ave., N.W., Washington, D.C.
Carpenter, C. C., Marshall College, Huntington, W.Va.
Cassady, R., Jr., 1634 Adeline St., Oakland, Calif.
Chassee, L. J., St. Norbert College, West De Pere, Wis.
Clark, H. F., Box 507, Teachers College, Columbia University, New York City.
Clower, F. W., 1122 E. 56th St., Apt. 2, Chicago, Ill.
Colfelt, N., Hollins College, Va.
Corning, H., 32 Shepard St., Cambridge, Mass.
Cutler, A. T., Hamilton Hall, Columbia University, New York City.
Cutter, W. P., Baker Library, Soldiers Field, Boston, Mass.
Daigaku, D., Senriyama, Mishimagun, Osakafu, Japan.

Dankert, C. E., 30 Blake Hall, University of Chicago, Chicago, Ill.
Dassel, H. V., Wittenberg College, Springfield, Ohio.
Donaldson, D. N., Colorado Agricultural College, Fort Collins, Colo.
Draper, H. L., 1407 E. Park Pl., Ann Arbor, Mich.
Driver, J. C., 119 South Hall, University of California, Berkeley, Calif.
Dunham, F. E., 2511 Regent St., Berkeley, Calif.
Eagleson, M. E., 500 Riverside Dr., New York City.
Easterling, T. L., 2794 Indianola Ave., Columbus, Ohio.
Eaton, C. C., 41 Linnaean St., Cambridge, Mass.
Eberhart, E. K., 5506 Ellsworth Ave., Pittsburgh, Pa.
Eiteman, W. J., 2532 Neil Ave., Columbus, Ohio.
Elliston, H. B., Council on Foreign Relations, 25 W. 43rd St., New York City.
Ely, O., 115 Broadway, New York City.
Evans, W. M., 802 W. Prospect, Appleton, Wis.
Fagan, H. B., 506 First Huntington National Bank Bldg., Huntington, W.Va.
Faubel, A. L., 25 W. 43rd St., New York City.
Ferebee, E. E., Lexington, Va.
Foose, F. C., Jr., 377 W. Onondago St., Syracuse, N.Y.
Ford, R. S., 143 80th St., Apt. 43, Jackson Heights, L.I., N.Y.
French, D. R., Stanford University, Calif.
Froman, L. A., 708 E. Seneca St., Ithaca, N.Y.
Gamble, P. L., Goldwin-Smith Hall, Cornell University, Ithaca, N.Y.
Girard, R. A., Washington Square College, New York University, New York City.
Gould, J. S., University of Delaware, Newark, Del.
Graue, E., University of Idaho, Moscow, Idaho.
Grobben, M., 6017 Woodlawn Ave., Chicago, Ill.
Gross, D., 207 Redmond St., New Brunswick, N.J.
Grossmann, C. J., Bureau of Business Research, University of Texas, Austin, Texas.
Gruber, O., Heidelberg College, Tiffin, Ohio.
Guthrie, E. L., 2753 Prince St., Berkeley, Calif.
Hall, W. S., 833 Hamlin St., Evanston, Ill.
Hamburger, P., 2920 Oakley Ave., Baltimore, Md.
Harvey, W. B., 6024 Woodlawn Ave., Chicago, Ill.
Hauter, L. H., 56 Kirkland St., Cambridge, Mass.
Hawk, E. J., Box 531, University of Virginia, University, Va.
Hawley, H. C., 160 Brighton St., Belmont, Mass.
Haworth, C. L., 305-C Holden Green, Cambridge, Mass.
Henry, R., 713 Tappan Ave., Ann Arbor, Mich.
Hewetson, H. W., University of Alberta, Edmonton, Canada.
Hiatt, A., 100 Highland Ave., Yonkers, N.Y.
Ho, H. C., 2610 Dwight Way, Berkeley, Calif.
Hoad, W. M., 2108 Melrose, Ann Arbor, Mich.
Hodge, C. L., St. Louis University, 221 N. Grand Ave., St. Louis, Mo.
Holladay, J., School of Commerce, University of Alabama, University, Ala.
Holland, T. W., Rutgers University, New Brunswick, N.J.
Horowitz, M., 640 Manida St., New York City.
Hosmer, W. A., Hobart College, Geneva, N.Y.
Hough, E. M., 2115 F St., N.W., Washington, D.C.
Hsiao, C., Tsing Hua University, Peiping, China.
Huang, H. J., Yenching University, Peiping, China.
Hudson, H. W., 2011 Glenarm Pl., Denver, Colo.
James, C. L., Commerce Bldg., Ohio State University, Columbus, Ohio.
Jordan, V., McGraw-Hill Publishing Co., 10th Ave. and 36th St., New York City.
Junkin, W. R., 101 Highland Pl., Ithaca, N.Y.
Kaiser, C. W., Washington and Jefferson College, Washington, Pa.
Kast, M., State University of Montana, Missoula, Mont.
Kastle, F., 318 N. Soto St., Los Angeles, Calif.
Keezer, D. M., The Baltimore *Sun*, Baltimore, Md.
Keirstead, W. C., 321 Northumberland St., Fredericton, N.B., Canada.
Keller, F. E., Gambier, Ohio.
Kellogg, R. M., 1410 E. 58th St., Chicago, Ill.
Kendrick, H. W., 866 13th St., Boulder, Colo.
Kennedy, D. D., 1 State Hall, University of Pittsburgh, Pittsburgh, Pa.

Kimball, J., Farmingdale High School, Farmingdale, L.I., N.Y.
King, R. W., Box 1816, Yale Station, New Haven, Conn.
Kingsmill, A. S., 18 Kilburn Rd., Belmont, Mass.
Knight, N. R., Woodland, Wash.
Kramer, R. H., 325 E. 32nd St., Brooklyn, N.Y.
Lang, A. S., 1902 University Ave., Austin, Texas.
Lee, G., 1 Woodland Ave., Bronxville, N.Y.
Leonard, W. R., 101 Ferris Pl., Ithaca, N.Y.
Lindahl, M. L., University of Michigan, Ann Arbor, Mich.
Linerode, A. A., 6053 Ellis Ave., Chicago, Ill.
Livermore, S., School of Business Administration, University of Buffalo, Buffalo, N.Y.
Lockwood, W. W., Jr., 141 Main St., Brunswick, Me.
Loomis, K. H., 1221 E. 57th St., Apt. 1, Chicago, Ill.
Luney, K. D., 410 Commerce Bldg., University of Illinois, Urbana, Ill.
McBride, J. W., Graduate College, Princeton, N.J.
McCabe, G. K., 1118 Albion Ave., Chicago, Ill.
McFadyen, J. R., 1004 7th St., S.E., Minneapolis, Minn.
McLaughlin, G. E., Bureau of Business Research, University of Pittsburgh, Pittsburgh, Pa.
McRoy, J. T., Northumberland Apts., Washington, D.C.
Markey, J. F., Norton, Mass.
Marshall, E. W., 49 Federal St., Boston, Mass.
Mata, P. S., P.O. Box 227, Iowa City, Iowa.
Maynard, E. L., 1022 Alabama, Lawrence, Kan.
Mayton, J., Louisiana State University, Baton Rouge, La.
Meredith, L. D., 72 Buell St., Burlington, Vt.
Michels, R. K., 1175 Anderson Ave., New York City.
Minor, M. C., Centre College, Danville, Ky.
Moore, C. W., Illinois State Normal University, Normal, Ill.
Morehouse, T. C., 60 Fifth Ave., New York City.
Morse, H. C., 5200 Winthrop Ave., Chicago, Ill.
Mund, V. A., 121 Broadmead, Princeton, N.J.
Musser, T., Box 403, Salem, Va.
Nef, J. U., University of Chicago, Chicago, Ill.
Nelson, E. C., 1724 Eye St., N.W., Washington, D.C.
Nelson, P., A. and M. College, Stillwater, Okla.
Nicholson, C. M., 409 College Ave., Ithaca, N.Y.
Nickels, C. L., 3601 Powelton Ave., Philadelphia, Pa.
Nielsen, O., School of Business Administration, University of Minnesota, Minneapolis, Minn.
Nylander, T., Stanford University, Calif.
O'Donnell, C., 64 E. Lake St., Chicago, Ill.
O'Leary, P. M., 520 Thurston Ave., Ithaca, N.Y.
Olsen, N. A., Bureau of Agricultural Economics, Washington, D.C.
Parks, D. S., 733 Foster St., Evanston, Ill.
Patello, N. A., Jr., 4 College St., Canton, N.Y.
Paustian, P. W., Hamilton Hall, Columbia University, New York City.
Paxson, A. M., University of Tulsa, Tulsa, Okla.
Persons, W. F., Town Bldg., Washington, D.C.
Peterson, A. G., State Teachers College, San Diego, Calif.
Pett, H. G., Federal Reserve Bank, P.O. Box 834, Chicago, Ill.
Pond, C. B., Forest Home, Ithaca, N.Y.
Pope, J. E., 3214 Newark St., N.W., Washington, D.C.
Price, H., Lawrence Park West, Bronxville, N.Y.
Rappenecker, C., 17 South Ave., Ithaca, N.Y.
Reddick, O. I., Lake Erie College, Painesville, Ohio.
Rice, S. A., Logan Hall, University of Pennsylvania, Philadelphia, Pa.
Rigg, S. F., 6027 Woodlawn Ave., Chicago, Ill.
Roberts, C., Duke University, Durham, N.C.
Roloff, W. E., 1707 Ford St., Golden, Colo.
Rowley, C. B., Route 3, Box 339, Hayward, Calif.
Rudolph, W. M., P.O. Box 152, University, Va.
Samra, L. S., P.O. Box 412, Berkeley, Calif.

Scadding, S. C., Bell Telephone Co. of Canada, 1050 Beaver Hall Hill, Montreal, Canada.
See, H., 3 Bois Roudel, Rennes, France.
Seehoffer, C. H., 15400 Parkside Ave., Detroit, Mich.
Selko, D. T., 7 M.S.S.C., Union College, Schenectady, N.Y.
Sester, R. A., 21 Hawthorne St., Princeton, N.J.
Severson, L., Beloit College, Beloit, Wis.
Shaw, F. B., 216 Union St., Joliet, Ill.
Shuman, R. B., 20 N. St. Albans St., St. Paul, Minn.
Siefkin, G., College of Commerce, Iowa City, Iowa.
Slaughter, V. M., 2456 Parker St., Apt. 1, Berkeley, Calif.
Smith, N. R., University of Buffalo, Buffalo, N.Y.
Snoy, J. C., 32 Conant Hall, Cambridge, Mass.
Sommaripa, G. C., Harvard Club, 27 W. 44th St., New York City.
Sorrell, L. C., Faculty Exchange, University of Chicago, Chicago, Ill.
Southworth, C., Dept. of Commerce, Bureau of Foreign and Domestic Commerce, Washington, D.C.
Stappert, M. V., 25 Woodlawn Ave., San Francisco, Calif.
Stern, B., Dept. of Labor, Bureau of Labor Statistics, Washington, D.C.
Stewart, W. B., Reed College, Portland, Ore.
Stimson, C. W., Western Reserve University, Cleveland, Ohio.
Stokes, P. J., 915 Meyer-Kiser Bldg., National Retail Hardware Assoc., Indianapolis, Ind.
Suffern, A., 105 E. 22nd St., New York City.
Taitel, M., 9 Blake Hall, University of Chicago, Chicago, Ill.
Thresher, B. A., 188 Collins Rd., Waban, Mass.
Tout, H., Campus Club, University of Minnesota, Minneapolis, Minn.
Tseng, C. T., 18 Trowbridge St., Cambridge, Mass.
Vannier, W. W., 2443 Hilgard Ave., Berkeley, Calif.
Van Toor, J. E., Richard R. Smith, Inc., 12 E. 41st St., New York City.
Walber, J. G., N.Y. Central Lines, 466 Lexington Ave., New York City.
Wandzel, J. T., Tufts College, Mass.
Watson, J. P., 209 Marshall Ave., Columbus, Ohio.
Weaver, D., 5517 Dorchester Ave., Chicago, Ill.
Webster, P. J., 2401 Fulton St., Berkeley, Calif.
Weinstein, N., 2525 Durant Ave., No. 16, Berkeley, Calif.
Wheatley, O., 201 Dryden Rd., Ithaca, N.Y.
Whitman, M. L., Box 907, University, Ala.
Whitman, R. H., Williamstown, Mass.
Williams, C. W., University of Louisville, Louisville, Ky.
Wilson, E. W., 1 Waterhouse St., Cambridge, Mass.
Wilson, H. W., Dept. of Economics, Brown University, Providence, R.I.
Wingate, J. W., School of Retailing, N.Y. University, Washington Sq., New York City.
Wolff, R., University of Louisville, Louisville, Ky.
Wolossyn, A., 920 President St., Brooklyn, N.Y.
Woo, T. T., Board of Audit, National Government, Chung Cheng Chieh, Nanking, China.
Wood, H., 114 Livingston Hall, Columbia University, New York City.
Wright, C. C., Bridgewater College, Bridgewater, Va.
Wubnig, A., N.Y. University, Washington Square College, New York City.
Young, R. A., Wharton School, University of Pennsylvania, Philadelphia, Pa.
Yourman, H., 9918 Alstyne Ave., Corona, N.Y.

The Facsimile Text Society, which has been sponsored by members of various learned societies, proposes to reproduce texts in five series among which are economics, political and social science. Photostats are now being prepared. The annual dues of the Society are $5. The Society desires to secure members and suggestions and further information may be obtained by writing to Facsimile Text Society, F. A. Patterson, Executive Officer, Columbia University, New York City.

It is expected that the index issue for volume I of *Social Science Abstracts* will be published and distributed some time in April. This index number will contain the following sections: (1) A table of contents cumulated for the year. This will serve as a systematic index for specialists who wish to find all of the abstracts on certain subjects together in one place. (2) An alphabetical authors' index with about 12,000 entries. (3) A subject index alphabetically arranged and analytical to considerable detail. There will be from 30,000 to 40,000 entries in this index and it will probably run to about 250 pages.

It is earnestly desired that teachers of economic subjects in the various universities and colleges will inform their students with regard to the use of *Social Science Abstracts*. This journal needs wide support in order to serve the purposes for which it was founded.

The first volume of the *Encyclopaedia of the Social Sciences*, covering the fields of anthropology, economics, education, history, law, philosophy, political science, psychology, social work, sociology and statistics has been published by the Macmillan Company. This will be reviewed in a subsequent issue of the American Economic Review.

The American Statistical Association at its dinner meeting on December 5, 1929, discussed the subject of "Bank Mergers—What Is Their Portent?" The speakers were Willard L. Thorp of Amherst College, Walter E. Spahr of New York University, and Frank C. Thomas, president of the Bankshares National Corporation.

At a dinner meeting on February 13 there was a discussion of the topic "Is There a Business Cycle? If So, What Is It?" The speakers on this occasion were M. C. Rorty, vice-president of the International Telephone and Telegraph Company, Professor Warren M. Persons, and Professor Irving Fisher.

At the meeting of the Taylor Society held in New York December 4-6, 1929, there was a discussion of the report of the Committee on Recent Economic Changes of the President's Conference on Unemployment.

The Academy of Political Science in New York City at its annual meeting November 22 considered the general topic "Business, Speculation and Money." Papers were read on "Speculation" by Franz Schneider, Jr.; "Brokers' Loans" by Benjamin M. Anderson, Jr.; "New Measures of the Relations of Credit and Trade" by Carl Snyder; "The Bank and the Investment Trusts" by Edgar Lawrence Smith; "Guides for Bank of Issue Operations" by W. Randolph Burgess; "Putting the So-Called New Era to a Test" by Lionel D. Edie; "The Working of the Gold Standard under Present Conditions" by Oliver M. W. Sprague; "The Responsibility for Credit Inflation" by George E. Roberts; and "The Control of Speculation" by David Friday.

The second annual meeting of the Southeastern Economics Conference was held at Atlanta, Georgia, November 15-16, 1929. Among the topics discussed were: "A Survey of Southern Industries," led by Dean Lee Bidgood; "Research in the Collegiate Schools of Business," led by Professor

M. R. Brewster; "Efficient Production within the Limits of the Market," by C. E. Allred; "The Outlook for Coöperative Marketing," by H. Bruce Price; "The Place of Economics and Agricultural Economics in Our Secondary Schools," by Ward C. Jensen; "The Tariff and the South," by Professor R. S. Atwood and Professor M. O. Phillips; "Labor Management in an Industrial Enterprise," by Earl Dean Howard; "Virginia's Financial System," by Professor T. R. Snavely; "South Carolina's Financial System," by Professor W. H. Mills.

The eighth annual Pacific Coast Economic Conference was held in Los Angeles, December 27-28, 1929. Papers on post-war finance were presented by Professor E. L. Bogart and Professor H. H. Preston. Papers on the Filipino and Mexican labor problem, by Louis Bloch, statistician for the Department of Industrial Relations for the State of California, and Miss Marion R. Glen of the California State Chamber of Commerce. On functions, scope and policy of the Federal Farm Board by C. C. Teague, member of the Federal Farm Board. On effective teaching in economics by Professors Raymond T. Bye, Arthur Coons, Thomas A. Beal and Edward T. Grether. On the advisability of instructors in economics and business administration having direct contact with business activity by Professors Robert C. Line and Reid McClung.

The ninth session of the Pacific Coast Economic Conference will be held in Salt Lake City during the Christmas holidays of 1930. Professor Thomas A. Beal of the University of Utah was elected president for 1930.

According to the advance program of the Geneva School of International Studies the seventh session will be held from July 14 to September 5, 1930 (American Office: 218 Madison Ave., New York City). Among the topics of special interest for students of economics are the following: "The United States of America," lecturer, Professor Henri Hauser, professor of economic history at the University of Paris (in French), to consider the special topic of "European-American Economic Relations"; from August 25 to August 29 lecturers Professor Henry Clay and Professor André Siegfried to consider the general subject "Economics." The economic discussion group will consider "The Theory and Problems of International Trade with Special Reference to (a) Foreign Investment and (b) Tariffs" under the leadership of Mr. P. A. Sloan of Clare College, Cambridge, England.

Columbia University has established two graduate lectureships in the department of Economics. The general function of these lecturers is to consult with candidates for the degree of Ph.D., to advise with the authors of dissertations and to assist the senior professors in conducting research courses. The first incumbents of these new positions are Dr. Eveline M. Burns and Mr. Ralph W. Souter.

Information in regard to the grants in aid of research and research fellowships offered by the American Council of Learned Societies may be obtained by addressing the Executive Offices of the Council, 907 Fifteenth St., Washington, D.C.

Bulletin No. 12, December, 1929, of this Council describes in detail its activities during the past year.

A translation of a German work by Professor Suranyi-Unger on the history of economic doctrine in the first quarter of the nineteenth century is being undertaken by Professor Taylor and Mr. Moulton of Columbia University.

The University of Pennsylvania Press is publishing a study on *Group Bonus* completed by Dr. C. Canby Balderston of the Industrial Research Department.

The Institut des Sciences Economiques, under the auspices of the Université Catholique de Louvain and the Ecole des Sciences Politiques et Sociales, has inaugurated the publication of a *Bulletin*. The first number appeared in December, 1929. This contains the following articles: "Les Méthodes d'Etude de la Conjoncture Economique et les Cycles Généraux des Affaires en Belgique de 1897 à 1913," and "Graphiques et Tableaux Statistiques Relatifs à l'Evolution Economique de la Belgique de 1897 à 1913," by Léon H. Dupriez and "L'Evolution Economique de la Belgique avant la Guerre, d'après les Etudes sur la Conjoncture" and "Statistiques Economiques Courantes" by Fernand Baudhuin. (Address Bibliothèque de l'Université, Place du Peuple, Louvain, Belgium.)

The American Library in Paris has recently issued Part I of *Official Publications of European Governments*. This is an outline bibliography of serials and important monographs, including diplomatic documents, issued by European Government Offices and Ministries. Part I covers Albania, Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Esthonia, Finland and France (Paris: American Library in Paris, 10 rue de l'Elysée, 1929, pp. 255).

The October, 1929, issue of the *Commonwealth Review* of the University of Oregon is devoted to an appreciation of the life and work of Professor Frederic G. Young. In addition to the appreciation papers are presented on problems in current social theory.

The following notes concerning the Brookings Institution have been received:

The survey of Porto Rico to be published by the Brookings Institution is scheduled to appear soon.

F. G. Tryon, W. H. Young and Miss Margaret Schoenfeld have joined the staff of the Brookings Institution to prepare a study on power revolution.

Miss Marie Butler has been appointed editor of the Institute of Economics.

Isador Lubin has returned from his European trip to continue his radio study for the Brookings Institution.

Erich Kraemer has recently joined the staff of the Institute of Economics to assist Dr. Hardy in his study on central banking policy.

A recent publication of the Brookings Institution is *Hand-to-Mouth Buying* by Leverett S. Lyon. It was chosen by the Business Book League as the outstanding business book of December, 1929.

Appointments and Resignations

Mr. A. E. Andress has been appointed instructor of economics at Lafayette College.

Professor Clarence E. Ayres, formerly of Amherst and Reed Colleges, will serve as lecturer in the department of economics at Washington Square College, New York University, during the coming summer.

Dr. Ruth Ayres, formerly of the Robert Brookings Graduate School, has accepted an appointment as instructor in economics at Washington Square College, New York University.

Sir William Beveridge was granted the honorary degree of doctor of law in connection with the dedication of the new Social Science Research Building at the University of Chicago in December. At the same time he gave a series of lectures on the problems of unemployment.

Mr. Percy S. Brown, technical assistant of Mr. E. A. Filene, will fill the vacancy during the second term of this year caused by the resignation of Professor Richard H. Lansburgh from the University of Pennsylvania.

Professor Raymond T. Bye of the University of Pennsylvania, who is on leave in Southern California, will give a graduate course in inductive economics during the second semester at the University of Southern California.

Mr. James E. Chace, Jr., formerly district office manager of the Florida Power Corporation, has been appointed assistant professor of economics and business management in the College of Commerce and Journalism of the University of Florida.

Dr. Whitney Coombs, formerly senior agricultural economist in the federal Bureau of Agricultural Economics, has been appointed head of the department of economics at the St. Lawrence University.

Mr. Julian S. Duncan, formerly instructor at Hunter College of the City of New York, is teaching at Bryn Mawr College the graduate and undergraduate courses usually offered by Professor Marion Parris Smith.

Miss Margaret Eagleson has been appointed lecturer in economics at Barnard College for the present academic year.

Mr. Albert K. Eaton has been appointed instructor of economics at Amherst College.

Professor Charles A. Ellwood of the University of Missouri has resigned to organize and head a new department of sociology in Duke University in the academic year 1930-31. This summer he will teach sociology in the School of Education of New York University.

Professor R. M. Haig of Columbia University is spending the winter in Europe collecting material for a projected book on European systems of taxation.

Dr. Max Handman of the University of Texas will teach in the department of economics at Ohio State University during the summer session of 1930.

Dr. Clifford Kirkpatrick of the department of sociology of the Wharton School, University of Pennsylvania, has accepted a position as associate professor of sociology at the University of Minnesota.

Professor Frank H. Knight of the University of Chicago has been granted a leave of absence for the spring and will undertake research in Europe.

Richard H. Lansburgh has resigned his position as professor of industry at the Wharton School of the University of Pennsylvania to accept a position as vice-president of the Detroit National Bank.

Professor Oliver C. Lockhart of the University of Buffalo will remain in China during the entire present academic year, continuing his work as adviser to the nationalist government.

Dr. Marion K. McKay, professor of economics in the University of Pittsburgh, will teach in the University of Oregon during the summer session of 1930.

Mr. William T. Meek has been appointed instructor in economics at the St. Lawrence University.

Professor Wesley C. Mitchell was granted the honorary degree of doctor of law in connection with the dedication of the new Social Science Research Building at the University of Chicago in December.

Professor William A. Orton of Smith College has been appointed visiting professor of ecomonics at Amherst College for the year 1929-30.

Dr. N. Allen Pattillo has been appointed assistant professor of economics at the St. Lawrence University.

Mr. V. L. Phelps has been appointed instructor of economics at Lafayette College.

Mr. Robert Riegel has left the University of Pennsylvania to join the staff of the Bureau of Business Research at the University of Buffalo.

Dr. A. M. Sakolski, economist of Paine Webber & Company, bankers, has joined the regular teaching staff of the New York City College School of Business, where he will conduct courses in investment and finance.

Professor E. R. A. Seligman of Columbia University has been invited by the University of Havana and the Cuban government to deliver a course of six lectures at the University of Havana. Subsequently he will serve as the representative of Columbia at the bicentenary celebration of the University of Havana and will also act as representative of the Carnegie Foundation.

Professor Marion Parris Smith of Bryn Mawr College is spending her sabbatical year in Europe.

Professor John D. Sumner of the University of Buffalo has been granted leave of absence for the coming year in order to do research.

Mr. W. Bayard Taylor has been promoted at the University of Kansas from an associate to a full professorship. He spent the past summer with Halsey Stuart & Company in Chicago preparing material on investments for the use of their training school.

Dr. Henry F. Walradt, professor of economics at Ohio State University, has been appointed to the committee on the taxation of motor vehicles of the National Tax Association.

Mr. A. H. Williams, professor of industry at the University of Pennsylvania, expects to return in the spring from Europe, where he has spent the past year in a study of industrial conditions.

Capital and Capitalistic Organization

Labor and Labor Organizations

Money, Prices, Credit, and Banking

Public Finance, Taxation, and Tariff

Population and Migration

Social Problems and Reforms

Insurance and Pensions

Pauperism, Charities and Relief Measures

Socialism and Co-operative Enterprises

Statistics and Its Methods

Officers of the American Economic Association

THE AMERICAN ECONOMIC REVIEW is published four times a year, in March, June, September, and December, at 450 Ahnaip St., Menasha, Wisconsin.

Correspondence in regard to contributions to the Review should be sent to the Managing Editor, Professor Davis R. Dewey, 222 Charles River Road, Cambridge, Massachusetts, or to members of the Board of Editors.

Books for review should be sent to the Managing Editor.

Publication offices of the American Economic Review, 450 Ahnaip St., Menasha, Wisconsin, and Evanston, Illinois. Office of the Secretary of the American Economic Association, Northwestern University, Evanston, Illinois. Membership dues are five dollars a year; life membership, two hundred dollars.